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**“Facing the challenge how to effectively support public  
administration reforms by ESF funds”**

With support from European Union - European Social Fund

Strategic planning and performance  
management - best practice cases in  
central and local public administration

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\* The contents of this publication do not necessarily reflect the position or opinion of the **European Commission**

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## Introduction

The aim of this study is to provide a description of best practice cases of strategic planning as a management tool within the performance management framework in central and local public administrations of several OECD countries. The study offers a broad image of how the key elements of strategic planning can be found in national public administration management systems. It also focuses on the impact of this tool on a more comprehensive performance management in public institutions. The cases are analysed using a best practice “matrix” which comprises what is considered to be the main features of a sound strategic planning system as a component of performance management.

The study also contains a short comparison of the status of performance management reform in the member countries of the network using the same matrix.

The study has three parts. The first part describes the main elements considered to be necessary for a sound performance management (strategic planning included). Short descriptions of these elements are provided as well as an outline of the importance of these elements in reforming national public management systems.

The second part includes a series of 9 case studies of performance management systems in OECD member countries. The case studies are analysed using the matrix described in the previous chapter. Each case study is considered a best practice in strategic planning as a tool for improving performance in public administration. The cases are drawn from the experience of both central and local public administrations. When analysing local public administration, the matrix is used in a different way given the different institutional structure of local public administrations in different countries.

The third part contains the application of the matrix to the existing situation which can be found in the network countries<sup>1</sup>. Following the results obtained from this comparison, a series of recommendations for future developments in these countries will be formulated with special focus on the main issues that can be subject for further support through ESF funding.

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<sup>1</sup> We refer to the countries involved in this project as “network countries”.

## **1. Best practice “matrix” for strategic planning and performance management systems in public administration**

The need for increased efficiency of public expenditures had led the reforms of public administration towards a perspective change regarding the way government institutions are managed. Starting with early '70s and '80s most countries have adopted various types' sets of reform aiming to gain an increase of the performance of public administration. This had numerous implications on the structure of government as well as on the way government activities were conceived in terms of inputs and outputs. The major shift of focus from *inputs* to *outputs* was the leading principle of all the reforming initiatives. The government and public administration institutions were considered more as instruments for the implementation of specific measures in different policy areas and less as self sustainable institutions not subject to change.

The focus on performance had a series of implications on different aspects of government, from institutional arrangements of public administration institutions to formal monitoring and evaluation procedures of their activities. Budget formation, management tools used in public administration institutions, methods used for evaluation of government policies, better regulation policies, and performance measurement instruments constitute the core set of the reforms envisaged in public administration from various countries across Europe and worldwide. These initiatives range from budget formation to policy formulation and evaluation. If the reforms started in the '70s and '80s with the introduction of Planning, Programming, and Budgeting Systems (PPBS) under the Johnson administration in US followed by different reforms in the UK and other European countries, after several trial and error cycles, the profile of the reform changed during the last decades and further developments led to refinements of these reforms.

The path of the reform was different according to the institutional characteristics of the public administrations profile from each country. Even though the reform principles remain the same, the way in which it was implemented in these countries is different. The administrative traditions as well as the political support, the coherence of the reform measures and the resistance to change have impacted differently on the success of the reform.

Taking into consideration these aspects it is very difficult to assess the success of the reform undertaken in different countries using a single set of criteria. The search for best practice is an endeavour that lacks in most cases the characteristics of a rigorous research approach. Nevertheless, common features of the reform path can be used as means to identify the characteristics of what is considered a best practice example.

These common features are identified from the analysis of different cases considered separately and keeping in mind the main principles of the reform. The tools for evaluating the degree of success of these reforms are therefore rather limited and in

most of the studies dealing with best practice cases a set of counterfactual indicators are used in order to assess the positive impact of these reforms.

Regarding the purpose of this study, the strategic planning system cannot be assessed without taking into consideration the other elements of the reform which affect a sound performance-based system of public administration. The strategic planning is therefore considered as being closely linked with management practices, the systems for resource allocation according to budget programmes, as well as performance measurement systems of the budget programmes and policies. In order to identify the best practice cases in strategic planning other indicators had to be used. These indicators are considered in this study as part of a so called "matrix". This „matrix" is used to compare the profile of different cases identified. It comprises elements from other areas of governance from budget formation and policy formulation to ex post evaluation of policy/budget programmes. For the objectives of this study these aspects can be organized following different patterns of activities and institutional arrangements of government.

### **1.1. Budget programmes/policy formulation**

The reasons why policy formulation is considered in this study alongside budget formulation are twofold. Firstly, because of the demand for increased efficiency of the government activity, the way policy is conceived at government level has to be closely linked with the budget formation. Each ministry or government agency has to elaborate their policy plans according with the budget provisions. Implementation of each policy initiative cannot be done without taking into consideration the budget ceilings established according with the total governmental revenues. The impact of policy initiatives is therefore dependent on the limited resources of the state budget and consequently their design should be developed accordingly. A best practice case analysis should therefore take into consideration the specific features of the administrative procedures that link budget with policy objectives. A series of questions arise from this search of a linkage between policy and budget. These questions refer to several aspects of the institutional framework, especially the procedures in place, budget programmes templates, management tools or informal common practices which can be identified within public administration institutions. These questions can be formulated as follows:

*Is there an institutional framework governing strategic planning? Are there any formal requirements regarding strategic planning (regulations, guidelines, templates)?*

Strategic planning is a management tool that can be used to allocate resources according with predefined policy objectives adopted by the management of a public administration institution. The existence of any regulations, procedures or practices regarding the way strategic plans are conceived is considered as a precondition for the development of budget programmes according with policy priorities. In the central public administration the existence of this formalized approach to strategic planning might be more visible than in the local public administration where the institutional context sometimes has more influence on the formal or informal administrative practices. In the cases described in the following chapters the strategic planning framework might not be always a formalized one, the basic assumption leading the planning process is nevertheless related to the intent to allocate resources and future

revenues of the government (local or central) towards the achievement of predefined policy goals.

*Is the strategic planning process truly strategic, or is it more tactical/operational planning?*

The main difference between operational planning and strategic planning is the *time reference*. The short term operational plan is fundamentally different from a strategic plan which is referring to a longer period (3-5 years). Operational plans can be subsequent to a strategic plan but cannot be considered separately as strategic planning instruments. In the cases analysed in the following chapter the existence of a strategic plan as a common practice within a public administration institution (at central or local level) is considered as essential for the overall performance management framework.

*Is strategic planning coordinated with the programme budgeting processes?*

The link between the strategic plan of an institution (or other equivalent formal documents) and the budget is one of the key elements of the matrix used in this study to assess the best practice examples. The strategic plan without a relevant link with budget is useless as a tool of assessing the performance of a certain institution. The link is represented by a formal representation of budget programmes as being developed for obtaining specific policy results. Assessing the budget programmes using performance indicators is therefore crucial for a sound strategic planning system. This is also the reason why policy formulation is considered in this study as being closely related with budget programmes. Further elements are related with the existence of this formal link between policy and budget and most of them are corresponding to a functional performance management system. Performance indicators have to be used both in the process of elaboration of strategic plans and budget programmes so that interim and ex-post evaluation can be conducted easier. In the cases analysed below, evaluation can refer not only to the policy itself (implementation process, results obtained and impact) but also to the budget programmes. Certain institutions are assigned to carry out these evaluations, in some cases these are carried out by public administration evaluation bodies or by external institutions such as NGO's or independent research institutions.

*Is there a link between the strategic planning process and other organisational processes? Is the strategic plan used as an input into the budgeting and financial allocations, HR management and development, performance measurements, operational planning?*

The strategic planning process has to be linked with other management process within the public administration institution. The allocation of resources (financial and human) has to be coordinated with the strategic plan of the institution. The information provided by the strategic plan should be included in the budget programmes proposed by a certain ministry or governmental agency. This information is to be used in the evaluation of policies implemented by these institutions.

## 1.2. Monitoring/policy review

This part of the matrix refers to the linkage between budget and policy through a monitoring and evaluation system. The elaboration of a strategic plan is useless if monitoring activities are not developed or if the information provided during these activities is not compared with what was initially planned. In a best practice case specific procedures or practices regarding the reporting activities should be in place. The reporting activities (whatever their frequency) should include information regarding the implementation of budget programmes. This information is essential for continuing a certain policy and can have a major influence on the policy topics of a strategic plan. The following questions are referring to monitoring and evaluation systems as prerequisites of a sound strategic planning system.

*Is the strategic planning process separate or combined with the budget/financial planning review?*

This refers to formal linkage between the two processes. The elaboration of the strategic plans of public administration institutions should be closely linked with budgeting activities. The linkage keeps the strategic plans feasible and offers a tool for comparing the performance of strategic plans. Specific policy area indicators have to be developed and their use could improve substantially the quality of the outputs of these processes.

*Who runs the strategic plan review? Is the review process conducted externally or internally?*

The monitoring activities of the strategic plans or equivalent as well as the impact of policy developed by a certain ministry or agency can be developed internally by other agency or externally by other nongovernmental institutions.

*How is the implementation of the strategic plan coordinated? What are the monitoring arrangements? How often is data collected and analysed? Is there a set calendar for monitoring activities?*

This aspect refers to the existence of formal monitoring institutional arrangements. In some cases, formalized reports have to be prepared monthly, biannually or annually. These reports can be associated with policy reviews or budget programme reviews.

## 1.3. Evaluation/budget programmes evaluation

Ex post evaluation of strategic plans as well as budget programmes is one of the most important parts of a sound strategic planning and performance management system. The results of the evaluation process are important for assessing the success of the activities of a certain public administration institution. In this regard, policy reviews provide useful information on the performance of these institutions. In a best practice case evaluation of strategic plans is made periodically and the outputs of this process are further used in future planning activities. The following questions are referring to the features of this evaluation system and envisage a series of institutional arrangements facilitating this process.



*Is there a system for data collection and recording? What are the sources of information?*

One of the main elements of a sound evaluation process is a set of performance indicators. These can offer a good assessment tool of the institutional capacity. These indicators have to be the same as those used in the planning activities so that comparisons can be made.

*Who is developing the evaluation? Is the evaluation made externally or internally?*

Similar with monitoring activities an important question is related to the institution in charge of the evaluation. In most cases, the evaluation (budget programme or policy evaluation) is made internally by financial institutions (auditing) or other evaluation unit within the government.

*Are the information provided in the evaluation reports used in future planning activities?*

The information provided during evaluation activities have to be used in future planning activities so that an increased efficiency can be obtained. The evaluation as a common practice within public administration is a precondition for the improvement for government performance.

The main elements of the matrix used to assess the best practice cases are summarised below. In the analysis developed in the next chapter these elements may take different forms according with different institutional contexts. Nevertheless the presence of these elements, regardless of their form, is considered as mandatory in a case considered as best practice.

Strategic plans/ Policy formulation/ Budget programmes	Monitoring strategic plans/ Budget programmes review	Policy / budget programmes evaluation
<ul style="list-style-type: none"> <li>• Policy formulation procedures (formats, templates);</li> <li>• Strategic plans (formal procedures);</li> <li>• Budget Programmes linked with policy objectives;</li> <li>• Institutional arrangements for coordination.</li> </ul>	<ul style="list-style-type: none"> <li>• Periodical policy reviews;</li> <li>• Set of performance indicators;</li> <li>• Institutional arrangements for monitoring activities;</li> <li>• Formally assigned institutional bodies to conduct monitoring reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Ex-post evaluation reports;</li> <li>• Budget Programme evaluation;</li> <li>• Evaluation as common practice (conducted internally or externally);</li> <li>• Periodic policy evaluation reports.</li> </ul>

## 2. Best practice cases

In this chapter a series of best practice cases are described using the matrix presented in the previous chapter. The first cases are selected from central public administration and describe the national strategic planning or performance management systems. In these cases strategic planning systems sometimes appear under different names being associated with the planning system in general. What is important in these cases, as previously explained is the link between the policy formulation practices and the budget formation. Strategic planning activities are considered as a tool to improve the efficiency and effectiveness of government policies therefore the cases analysed below make reference to other elements of the reforms envisaged in European countries and worldwide. Besides the strategic planning process in central administration, some specific cases of public administration institutions are analysed. The purpose of also including particular institutions as best practice for strategic planning is that this offers the possibility to evaluate differences not only by assessing the scale of the reform but also the way this management tool works in specific cases.

The second category of cases is selected from local public administration. The strategic planning processes developed in local public administration institutions are analysed by using the same matrix. Compared with the central public administration the cases analysed in this chapter are more context dependent, no single format being used across different local public administration institutions.

### 2.1. Central public administration

The best practice cases presented in this chapter refer to the central public administration performance system and include the description of strategic planning policy formulation, monitoring and evaluation systems in the public administrations of different countries (government departments, agencies or ministries). Information regarding the different case studies is organised according to the “matrix” described in the previous chapter. In many cases the activities associated with each policy stage (formulation/budgeting – monitoring – evaluation) are compliance type and correspond to different formal procedures as part of the information and communication systems used in policy development (e.g. monitoring/evaluation reports).

Access to this information is crucial for identifying the performance of governments and allows further adjustments and improvements of the administrative systems. The level of formalisation of the policy planning systems is different from case to case. In some cases the practice already includes reporting activities and no formal provisions regulate the monitoring process. In these cases the communication of performance between Government and Parliament is a non-regulated common practice (e.g. the United Kingdom). In other cases there are formal (even constitutional) requirements regarding formulation/programming, monitoring and evaluation of policy programmes (e.g. Finland). Regardless of their administrative

institutional structure or practices, the cases analysed in this chapter are considered as best practice using the information matrix assessing the performance frameworks. The mixture between formal requirements and practices in these cases shows the variety of solutions adopted for improving the performance of government and its policies.

The sources of information are mainly reports conducted by international institutions such as the OECD or national reports developed by governmental and independent bodies. The countries included in this comparison are Finland, Sweden, Netherlands, the United Kingdom and the United States.

## **Finland<sup>2</sup>**

Finland has one of the most effective planning and performance systems in Europe. The interest for increasing the performance of government policy initiatives as well as the performance of administrative bodies was considerably increased in the last decade. The performance system includes several tools consisting in formal documents required from the ministries and governmental agencies as well as informal elements based on administrative practices used in the central public administration.

### *1. Budget programmes/policy formulation*

In Finland the main governmental policies are presented in the *Coalition Agreement* (Government Programme). Based on the provisions of this document, policy programmes are developed by line ministries and governmental agencies. The Finnish administration has some specific features compared to other European governments. The central governmental is historically organized in small policy making ministries with a large number of agencies dealing with the implementation of these policies (approximately 103). Policy targets are established through the Government Programme, each agency being separately responsible for implementation without special focus on institutional inputs but on actual outputs.

The annual budget is formed based on the proposals (operating and financial submissions) developed by each ministry according to their internal assessment. A second parallel assessment is made by the Ministry of Finance which plays an important role in the Finnish central public administration. The annual budget also includes projections for the next three years.

The Ministry of Finance has an important role in setting the main aspects related to the performance information and the policy indicators used in the budget proposals of the ministries. The plans developed by each ministry are divided into two categories: continuation of existing policies (baselines) and requests for new policy initiatives. Performance information is contained in the requests, although these vary from ministry to ministry.

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<sup>2</sup> From *Budgeting in Finland*, Jón R. Blöndal, Jens Kromann Kristensen and Michael Ruffner, OECD 2002.

The elements of medium term expenditure framework were not fully implemented from the beginning of the reforms in Finland. The 1990 crisis highlighted the weaknesses of planning too much in advance (government expenditure) which has led to an increased focus on annual forecasts rather than the three years projections. Nevertheless, the Medium Term Expenditure Framework (MTEF) was considered as an important element of the reform and following the lack of interest in using three years financial forecasts, special attention was given to this type of budget formation practice. The MTEF documents (budget plans) were considered as living documents subject to continuous amendments during the period envisaged. The importance of MTEF was then further acknowledged in the Finnish reforms by the necessity to develop already initiated government policies with good results. In this respect, this type of expenditure framework was adopted as a tool for stressing the importance of stability of government policy during longer periods (more than one year).

Another important element of the performance framework is the **budget ceilings** which are extensively used in the Finnish central public administration. The budgeting process is based on aggregate spending limits being established for each spending ministry as a whole and then granting autonomy to each spending ministry in allocating this aggregate amount among its various programmes and agencies. This approach keeps government expenditure under tight control and allows projections for future policy initiatives.

The link between policy targets and budget is ensured by so called “**contracts**” between agencies and parent ministries. These informal agreements (not legally binding) replace the input control over the agency activities to a more result oriented approach which allows each agency to find an appropriate mixture of inputs for delivering expected policy results. This system allows an increased accountability for agencies’ performance. The contracts are used in the strategic planning activities by agencies and even though the exercise is not even in all the ministries, the content of the contract as well as the reports prepared by each ministry are subject to (performance and financial) auditing by the State Audit Office.

## *2. Monitoring/policy reviews*

Regarding the monitoring activities, each ministry and agency is requested to prepare periodic reports on the achievement of targets and budget allocations. Even though formal assessments are conducted by State Audit Office no sanctions are applied for not completing the performance targets originally planned (changes in level of funding for specific agency or ministry or sanctions for individual civil servants).

The formal reporting activity includes the following types of documents:

- The **Constitutional Report** delivered by the Government to the Parliament on the activities of the government and of the actions it has taken as a response to the decisions of the Parliament. The overall government report is developed using information provided by each ministry and agency according to their area of intervention.

- **Annual reports** developed by each ministry. These reports contain performance and financial information on the activities developed by each agency in accordance with the contracts with their parent ministries. The performance section contains a description of the main activities of the agency, results of these activities with indicators and comparisons to the result targets established. Based on the reports from agencies, each ministry prepares a general report covering the policy areas and institutions for which it is responsible and sends it to the Parliament.
- **Report on the State Finances and Adherence to State Budget.** This is an overall performance report on government activities and is a constitutional requirement. It contains the main performance information and analyses of the effectiveness of policies, economy and productivity of the operations together with general information on the implementation of the budget.
- In terms of performance information **quantitative targets** in the budget are accompanied with comparative information for previous year's results.
- **Specific policy area reports** presented to Parliament (regular report on social affairs and health care).

The preparation of these reports is required by law. The way targets are set is left to be decided at the level of each ministry and/or agency. Ministries are held accountable for performance without specification of how performance should be achieved. In principle there should be a clear link between the reports for agencies and for ministries, in practice this happens rarely and usually the structure of the reports differs according with specific administrative practices of each ministry.

### *3. Evaluation/programme budget evaluation*

The institutional reviews of governmental agencies are conducted differently for each ministry. General recommendations on the institutional evaluation process have to be developed every six years; however no methodology for all government institutions is imposed as a specific approach to evaluation. In some cases external evaluation is contracted to the Finnish Institute of Public Management or other international research institutes.

Policy evaluations are conducted on a regular basis, in some cases being formally required by governmental agencies. For example, the 2001 State Aid Act stipulates that all agencies granting state aid and subsidies shall follow up and evaluate the effectiveness and results of the relevant state aid schemes and the impacts of those schemes on individuals, market conditions, the environment and stakeholders.

One of the future intentions of the Finnish reforms is to better inform budget preparation and budget decision-making. In this respect special focus will be given to the link between policy targets and budget allocation.

## The Netherlands

The Netherlands was often cited in the last years, especially in OECD reports and academic papers due to the progress made in the field of improving public performance and public management reform.

The Netherlands introduced a more policy-oriented form of programme budgeting in 2001. The aim of the programme budgeting was to create a new structure of the budget, more clear, with strategic objectives and direct linkage to related policy areas. The latest reform came after two sets of reform which changed the governance vision in the country. In the 1980s and 1990s, two major reforms were introduced: the Accounting System Operation (*Operatie Comptabel Bestel*) carried out from 1985 to 1993 and the Policy Budgets and Policy Accountability operation (VBTB, *Van Beleidsbegroting tot Beleidsverantwoording*) which started in 1999<sup>3</sup>.

### 1. Budget programmes/policy formulation

The new budget formula was programme-based and involved a combination of programmes and resource allocation. The policy management is the responsibility of policy directors who are in charge of the programmes and the use of resources. Budget infrastructure and individual accountability became in line with each other. Another strong point of programme budgeting was that each policy directorate was responsible for a budget line. This simplified the task of the Ministry in the quest for efficient and effective policy implementation in the sense that it can agree directly on the policy and the financial resources necessary to accomplish the desired output.

Since 2002, the Dutch Government has used extensively the VBTB operation (*i.e.* new budget) and its principles, which were aimed at providing the Parliament with a more policy-oriented and transparent budget document and clearer data and results of the government activity. The search for better coordination and control in strategic planning began at the initiative of the Lower House of the Parliament with the extensive help of the Ministry of Finance which co-ordinated and monitored the process. As a consequence, all ministries switched to the new budgetary structure during the preparations of the 2002 budget. The most important feature of the new budget formula is that it brings together the funding with clear policies and concrete objectives for budget allocation effectiveness. Besides that, the Netherlands budget memorandum gives an overview of the main political initiatives against the background of economic development. The targets of the main policy programmes and major achievements of policies are reported in a separate chapter.

The budgets are built around strategic objectives and related policy areas, therefore the Government developed a computerised interdepartmental budget consultation system for the entire state budget to allow for this coordination.

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<sup>3</sup> From *Performance Budgeting in the Netherlands*, Raphael Debets, OECD Journal on Budgeting, 2007

The principle is that each ministry has a budget and an average of ten budget lines. Therefore, according to the OECD assessment, it is very easy to “categorise policy, performance and financial details systematically in a single policy line”. A budget line has associated a “general goal or objective” which is then split into “operational goals”. Every ministry is responsible for its budget, for an annual report and also for the yearly performance evaluations.

*Pillars for programme budgeting*

Reforms	Objectives	Short description of the reform
A. Programme budgeting (Accounting System Operation in the 1980s).	A. Transparency and efficiency.	A. The policy director is responsible for the budget. Being held accountable within a decentralised administrative organisation provides an incentive for the efficient use of resources.
B. Budget bill(s) and memorandum are policy/goal oriented (VBTB began in the 1990s).	B. Transparency.	B. The main policy programmes are presented in a separate chapter of the budget (bill and memorandum). Line articles are formulated in terms of operational goals. Some operational goals are accompanied by performance indicators.
C. Interdepartmental policy reviews (in the 1980s). Obligatory cost-benefit analyses for special projects in the 2000s.	C. Efficiency	C. Independent chair, scientists and specialists are brought in and a report is made public (to Parliament). Policy reviews on the level of policy goals. Independent Netherlands Bureau for Economic Policy Analysis (CPB), for macroeconomic assumptions (transparency).
D. The way ahead	D. Transparency and efficiency.	D. Focus the budget (a core instrument for authorisation) on transparency. Use policy reviews (other instrument) for efficiency.

Source: OECD 2007

*2. Monitoring/policy reviews*

Monitoring is an important element for creating an accountability system. In the Netherlands, the monitoring of policy and spending has a long tradition, fuelled by specialists and expertise and by a culture of impact assessment. Universities or other evaluation and research organizations form a basis for a coherent and qualitative policy framework. There were two stages in the development of program based budgeting. The Planning Programming Budgeting System (PPBS) was introduced in 1981 but did not worked very well. Consisting of three elements - programme budgeting, performance budgeting and multi-annual budgeting – the PPBS proved to

be a success only in regard to the multi-annual budgeting (OECD, 2007). The reconsideration procedure of 1981 is at the basis of the current system of programme reviews (interdepartmental policy reviews, or IBOs, from 1995<sup>4</sup>).

According to the system, the policy reviews have the role to offer alternative solutions for policy/spending and contribute to financial savings based either on cost reduction or service levels reduction.

Policy reviews are proposed by the Ministry of Finance and follow some basic principles:

- The proposals for policy reviews are approved by Cabinet, and also by the line ministries. Line ministries have to co-operate. A list of proposed policy reviews is included in the September budget memorandum.
- The reviews are conducted by small working groups with representation from the Ministry of Finance, the line ministries, and external experts.
- The chair is independent and the secretariat is provided by the Ministry of Finance or shared with the line ministry.
- All reports are made public and submitted to Parliament

### 3. *Evaluation/programme budget evaluation*

In the 1990s, the Government Account Act was changed, to give the Court of Audit a role regarding the efficiency of programmes. Ministries were required to evaluate policy areas once every five years. Second-level legislation (the so-called “order on performance data” or RPE) was introduced in 2002 to provide rules for the realisation and collection process of policy information, such as performance indicators and evaluations.

From its introduction, the “order on performance data” (RPE) requires specific instruments of reporting and evaluation to be implemented by ministries with a special focus on the usage of performance indicators and targets for the objectives on that specific policy area.

## **Sweden**

One of the important features of the Swedish administrative system is that it is characterised by the delegation and decentralisation of decision-making from the Government to the agencies and also within the organisation at agency level.

The main features of the Swedish performance system<sup>5</sup> are:

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<sup>4</sup> Idem 3

<sup>5</sup> From *Performance Management in the Swedish Central Government*, Kajsa Nilsson, Ekonomistyrningsverket, 2003



- The Parliament and the Government decide upon the objectives, aims and financial frameworks of the activities, and the agencies are responsible for deciding the means which have to be used for getting results;
- Delegation/decentralisation of power to management requires a clearer orientation on accounting and analysis, meaning that the focus has moved from input-control to monitoring and evaluation of the results;
- The model requires wide consultation between agencies and the Government, and between the Government and Parliament.

### 1. Budget programmes/policy formulation

Since the 1960s, policies in Sweden followed an *input based* model and the budget framework laws. As mentioned before, in the late 1980s, the need to spend resources more efficiently led to the adoption of a strategic programming framework. This materialised with the adoption in 1996 of the **Budget Act**, the law that regulates the responsibilities of the Parliament and the government regarding financial power. In 1997, as a follow up of the Budget Act, an organic budget law was adopted stipulating that the Government is required to present objectives and results for Policy Areas / programmes to Parliament. A Medium Term Fiscal Framework (**MTEF**) has been applied to all aspects of the budget preparation in Sweden. The clear **linkage between budget/policy/performance** is also supported by the long term vision of the Swedish Government, reflected in the MTEF framework. The longer three-year horizon has enabled better fiscal discipline through the use of fiscal targets and advanced forecasting models. The reform of 1997 also included the MTEF, helping the Government to articulate a medium term budgetary and performance vision.

In the 2001 Budget Bill a uniform structure was introduced in the management of government agencies. The role of the new structure was to set up a division of agencies and branches that would help the Government and Parliament link the results with the objectives and political vision. The law also offers the instruments to measure how policies and programmes contribute to goals. Another feature is that it helps decision-makers to compare policy areas and institutions and see what the easiest way to prioritise between different activities is.

The *budgeting process* is at the centre of the *policy making process*. This means that all policy decisions are connected with budgetary allocations. The most important aspect is that the scope for policy areas is formulated within the framework of the government budget process. In turn, the policy areas are set by the government (responsible line ministry) and approved politically by Parliament. In order for the Government and the Parliament to monitor and evaluate the performance results of the agencies, the actual institutional set-up is based on policy branches, each branch being unique because it can belong to only one activity area. *An agency can be active in several policy areas. Each policy area has a case production branch, linked to a unique activity area. In its letter of appropriation to the agency every year, the*

*government (the responsible line ministry) stipulates the goals and feedback requirements for each branch (of activity).*<sup>6</sup>

The main stakeholders in the process of policy making in Sweden are the Parliament and the Government. These institutions have the role to set objectives at political level. Performance management principles are followed by these two institutions and also by the agencies. The majority of *goals* for the policy areas can be regarded as **effectiveness goals** (OECD, 2008), while the goals at the branch of activity level are in principle exclusively **performance goals**.

The instruments that link the performance with the budget and their principles are mentioned in the budget legislation. The budget legislation (Spring Budget Bill and Budget Bill, MTEF) states that government activities *shall be run efficiently and economically and that the government shall report to Parliament on the relevant goals and the results obtained in different fields of activity*. The Budget Bill comprises both proposed appropriations for various purposes for the coming budget year and a retrospective report on performance by policy area in relation to the goals set by Parliament.<sup>7</sup>

The Swedish government allocates funds to its agencies after the completion of discussion in the Parliament based on the Budget Bill law, the outputs of this activity being the letters of appropriation which are individual allocations for each agency. The *letter of appropriation* is specific to an agency and has the role to put together the operational/financial conditions for the agency in the next budgetary year. The most important feature of these letters is that they contain compulsory information on the expected feedback on the performance of that agency after spending the budget.

## *2. Monitoring policy reviews*

A specific framework regarding the monitoring and reporting activities was defined in Sweden. The accountability of public spending and transparency of public institutions are the most important principles of public management in Sweden. The Budget Act requires a set of rules for the economical administration (ordinances) that the agencies must observe. The set of rules was developed by the Ministry of Finance and their role is to monitor the performance management and financial control<sup>8</sup>.

The agencies have the obligation to submit an annual report to the government no later than February 22 the following year. The annual report contains both financial data and information on activities. The Annual Reports act as strategies in that they have to comprise data on how the agency met the objectives the Government has set for it. The Ordinance for the Annual Reports of government agencies states that:

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<sup>6</sup> From *Performance Budgeting in Sweden*, Thomas Küchen and Pertti Nordman, OECD Journal on Budgeting, 2008

<sup>7</sup> The budget is currently divided into 48 policy areas (labour market, transport, migration, equal opportunities, etc.). The policy areas include approximately 90% of government spending.

<sup>8</sup> Idem 6

*“The agency shall report and comment on the results of its operations in accordance with the objectives and the demands for information stated by the Government in the annual directives or in any other decision. In cases where the Government has decided not to specify what information the agency should report back to the Government, the agency shall report and comment on changes in output with respect to volume, costs and quality.”*

According to the MTEF principles, on the March 1 every year, the agencies are required to present a budget request together with their financial requirements for the following three years. The role of these forecasts is to simplify the activity of forecasting the national budget. They estimate their expenditure over the following three years and also propose the sources of financing. These documents, together with the annual reports, form part of the basis of the Government’s decisions when calculating expenditure on the different appropriations.

There is a permanent dialogue between the ministry management and each director general. This dialogue, named the *performance dialogue* has the role to follow up each agency’s work in the previous year and to discuss future activities. These discussions on performance have a feedback role and help the Government to monitor the fulfilment of objectives, programmes, strategies.

In this monitoring scheme, the Parliament has an important role because it decides the objectives of the policy areas based on the information requests it makes during the process. Under the Budget Act, the Government is required to *report* to Parliament on the objectives set and the results achieved in various areas. The main documents for reporting performance information to Parliament are in this case the Budget Bill and the *special reports*.

Recently, new instruments for monitoring were prepared in Sweden. The ordinance for Parliament states that the Parliament committees have the task of monitoring and evaluating parliamentary decisions in the fields that they are responsible for. This also led to a more in depth collaboration with the Government, which now has to present special performance reports each year on various parts of the expenditure areas to Parliament. The Government also submits a written communication to the Parliament containing an annual report for the central government sector and an account of the economic outcome in this sector, showing the actual levels of central government income and expenditure in the previous fiscal year. The first consolidated annual report for the central government was produced for the fiscal year 1994/95.

### *3. Evaluation/ programme budget evaluation*

Ministries elaborate *strategies* useful for a proper evaluation of the performance of the budget spending. These *strategies* have the role to help officials prepare the Budget Bill and to report in a coherent manner to the Parliament. Besides other information, the strategies stipulate the monitoring activities and evaluations that should take place, the leadership of the strategy and the stakeholders involved. However, the strategy making was not a very successful activity so far.

As pointed before, annual reports and budget requests are submitted by the agencies to the Government and constitute the state budget of the Government. It is also customary that the Government requests an evaluation of a specific reform or of the outcomes of certain activities or programmes/projects. The specific evaluation is coordinated by agencies, especially when they have the capacity to carry out evaluations. Often this task is carried out by a ministry or by an independent evaluation institution.

Each year numerous commissions of inquiry, with or without parliamentary representation, are appointed by the Government. Their task is to evaluate the outcome of activities or regulatory systems in a particular area. *There are normally some 200 government inquiries in progress at any given time.* The results of the inquiries form the basis for different legislative proposals submitted by the Government to Parliament.

Another evaluation tool to assess the strategic goals attainment is the *Annual Report* of the agencies. These reports have financial accounting and budgetary data and a statement of operations, and are subject to an external audit made by the supreme audit institution, an agency subordinated to Parliament. The annual reports are submitted to the government and also sent to the Parliament's expert committees. The audit reports are primarily submitted to the agencies, and sent to the ministries. The evaluation of each policy is run by the supreme audit institution.

For each policy (which is divided into activities) the responsible institutions prepare an annual report, containing data from the supreme audit institution and from the evaluation agency in the area in question, and the government in its Budget Bill reports the assessment of the extent to which the sub-goals in the respective policy have been attained. The *annual reports* contain statements of operations that describe what each agency accomplished during the year, mainly in terms of performance, but also in terms of operational costs. Based on that and other information, an objectives-and-results dialogue takes place once a year between the agency's management and the responsible ministry.

Under the MTEF the fiscal framework is established for the medium-term and it is intended to strengthen the quality of annual budgets. This ensures macro-fiscal stability on medium term, even if the state budget is set up annually.

## **United Kingdom<sup>9</sup>**

The United Kingdom is one of the countries implementing successfully the performance framework reform. The main instrument of assessing the performance

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<sup>9</sup> The main sources of information used for drawing the UK best practice case are: *Choosing the Right FABRIC: A Framework for Performance Information*; Performance Budgeting in UK, Zafar Noman, OECD Journal on Budgeting, Volume 8 – No. 1, OECD 2008; Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies, National Audit Office, Report by the Comptroller and Auditor General, 2000; Spending Review Framework, HM Treasury 2010

of public administration in terms of quality of service delivery is the Public Service Agreement. These documents along with spending plans and reviews constitute the main administrative tools for assessing the impact of government policy initiatives. For the purpose of this study, the presentation of the UK case comprises several aspects of the performance framework. These aspects refer to elaboration of agencies plans for delivering sound policies in various areas and also common practices and content of evaluation activities. Compared with other cases, the UK case has specific features which are mainly related with the general institutional framework of central and local public administration.

### 1. Budget programmes/policy formulation

In 1998 a modernised public spending performance management framework was developed and described in the report *Comprehensive Spending Review* (OECD, 2008). This review included specific measures for improving the efficiency of governmental spending. The impact envisages a greater stability of spending within government agencies by setting specific spending plans for medium and long term (spending reviews were conducted in 2000, 2002, 2004 and 2007). The review introduced a separation between capital and current budgets so that capital investments are not affected by short term expenditures. In the governmental expenditure framework planning activities were also introduced in order to increase the efficiency of budgeting control. The planning activities were correlated with the so called **public service agreements**<sup>10</sup> (PSAs) as tools for setting measurable targets for government objectives. The PSAs represent the main planning tool for governmental agencies and include the basic information for developing further assessment of the government efficiency. The introduction of PSAs marks an initiative for increasing the performance of government initiatives and agencies.

The use of performance information became extremely important for the elaboration and evaluation of PSAs. A document, *Choosing the Right FABRIC: A Framework for Performance Information*, issued jointly in 2001 by HM Treasury, the Cabinet Office, the National Audit Office (NAO), the Audit Commission and the Office for National Statistics (ONA), describes the context and methods for identifying performance information regarding the inputs, outputs and outcomes of different governmental agencies.

According to this document, policy targets presented in PSAs have to be related with the budget. The link is made through spending review reports which focus on the connection between policy objectives and resources allocated for their completion.

The main elements of the PSAs are:

- aims and mission statement of the department;
- policy objectives of the department;
- performance targets;

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<sup>10</sup> According with 2010 annual spending review the PSA framework will be subject to change (*Spending Review Framework*, HM Treasury 2010). The PSA's will no longer be used in future planning and more focus will be given to government expenditure information. Even if this will happen, the PSA system can be considered as a best practice example considering the long period of its use in UK public administration.

- responsible for achieving the targets;
- “floor” targets establishing the objectives of the policy envisaged;
- “standards” for evaluating previous PSAs and establishing targets for future monitoring and evaluation activities.

The PSAs include information regarding the efficiency targets and policy objectives to be obtained by government departments. In the following period the PSA system of performance information will be subject to further consideration. In the 2010 Spending review a series of reforms were announced. One of these changes refers to the implementation of departmental business plans outlining the resources, structural reforms, and efficiency measures for improving the quality of services provided. These plans will be made public and will hold departments accountable for the way public money are spent.

## *2. Monitoring/policy reviews*

There are no legal requirements regarding the development of performance measures or strategic plans, all departments were nevertheless required to participate in Spending Review process and to commit to a PSA. HM Treasury is in charge of evaluating the performance of the PSAs, and special teams develop the evaluation process in line ministries.

Another source of information regarding the performance of government departments is the **annual performance report** for each department which is common practice since 1990. The reports set out expenditure plans and performance, including a number of tables summarising how the department is resourced and staffed to deliver its objectives, and describe the latest performance in relation to the department’s PSAs. The frequency of reports on PSAs was increased in 2002 to twice a year. These reports are accessible to the Parliament and HM Treasury. The data system for these reports is set by National Audit Office (NAO).

## *3. Evaluation/ programme budget evaluation*

Evaluation of PSAs is developed in a Comprehensive Spending Review consisting in an overall comparison between actual public expenditure and what was initially planned. At the end of this process new targets and priorities are identified and further objectives are set for the following review period. In the evaluation process, performance information is used. Allocation of resources within each department is compared against the actual performance of public administration institutions. A special focus is given to delivery chain which leads to an increased attention to the way local public administration institutions are conducting implementation process of centrally planned policies.

In the following period, some changes are announced in further developing the performance framework in public administration. According to the latest Spending review (2010) further reforms are envisaged, aimed at increasing the efficiency of planning, monitoring and evaluation activities in the central public administration in the UK.

## United States<sup>11</sup>

The US has a long experience in implementing public administration reforms in order to increase the performance of services provided, as well as the degree of transparency of government activities. The strategic planning system along with other institutional arrangements aimed at modernizing the public administration was formally introduced in 1993 when the United States government enacted the **Government Performance and Results Act (GPRA)**. According with this regulation the agencies were required to draft strategic plans and report performance. As one of the main purposes of this act, federal agencies were in a position to consult the stakeholders as well as United States Congress regarding the content of their institutional strategic goals, the results that they envisage and also the operational plans developed to achieve these goals.

Even though the expected results regarding the increase in performance were not fully achieved (OECD, 2008), this initiative constitutes a good basis for future reforms. The way government initiatives should be linked with institutional objectives, the increased transparency of these initiatives along with an outcome oriented perspective of government activities were some of the main pillars of the future reform of the US public administration reform.

Another initiative aiming at improving the performance of government activities is the **Performance Improvement Initiative (PII)**. The measures undertaken under this initiative refers to the following aspects:

- **Improved programme performance.** The programme performance is to be assessed using performance indicators for an increase value for money for the policy initiatives of the government. The actual results of the policy programmes developed along with an evaluation of the impact of these programmes are envisaged. The main purpose is to get as much quality and quantity as possible for the resources allocated.
- **Investment according with programme performance.** After evaluation, the best performing programmes are to be further financed so that resources are allocated accordingly<sup>12</sup>.

Following the matrix used in this study, the analysis of the performance management system of the public administration in the case of the United States includes the institutional arrangements for strategic planning as a management tool for policy initiatives of the government as well as monitoring and evaluation and performance measurement of the budget programmes.

### *1. Budget programmes/policy formulation*

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<sup>11</sup> The information used in description of this country case is drawn from Performance Budgeting in the United States, Robert J. Shea, OECD Journal on Budgeting, Volume 8 – No. 1, OECD 2008 and Outcome-focused Management in the United States, Walter Groszyk, OECD, 2002.

<sup>12</sup> Examples of programmes proved to be successful and subject for further investment: Social Security Administration (SSA), High Intensity Drug Trafficking Areas (HIDTA), Administration on Aging (AoA), Federal Bureau of Prisons (BOP). (Performance Budgeting in the United States, Robert J. Shea, OECD Journal on Budgeting, Volume 8 – No. 1, OECD 2008)

Strategic plans are developed by each federal agency. The strategic plans include strategic objectives, mission statements, operational plans as well as the main expected results. Following the elaboration of strategic plans the budget programmes are developed by linking the policy objectives with the budget items.

The agencies are elaborating three types of documents as part of the strategic planning process. These documents are: the strategic plan, the performance plan and the performance reports.

The **strategic plans** include the mission, policy objectives as well as major policy programmes developed. They are subject of consultation with the Congress and public and focus on the outputs of the agency during a period of maximum 6 years. The objectives are formulated in a manner as quantifiable as possible so that future assessment of agency performance will be possible. These documents can be updated once every three years, modification can occur nevertheless more often according with agency needs. The purpose of these plans is to make agencies accountable for their activities.

In relation with strategic plans, **annual performance plans** define specific policy targets for a fiscal year. These plans cover programmes and functions of the agency and allocate money according with long term policy targets derived from strategic plans. There are three versions of the performance plan developed by an agency. The initial version is sent to Office of Management and Budget (OMB) for reviewing and setting the annual budget of the agency. The second version is sent to the Congress. A third version is optional and can be elaborated if there are comments formulated by the Congress on the second version. Regarding the quality of the performance plans some difficulties arise in setting the link between budget and policy targets. The annual budget is based on long time practice of allocating the resources according with organizational needs and not according with programmes. This situation affects the way the budget is implemented and influence the evaluation of budget expenditure according to policy targets.

## *2. Monitoring/policy reviews*

The third kind of documents elaborated by agencies is **performance reports**. These reports provide information regarding the implementation of annual performance plans and evaluate the actual accomplishments of policy targets compared with what was initially planned. As part of the monitoring activities, the elaboration of performance reports envisages the completion of policy objectives and is made available for the public. Based on the conclusions of performance reports future strategic plans are elaborated.

## *3. Evaluation/programme budget evaluation*

The main tool for assessing the government programmes is the **Program Assessment Rating Tool (PART)**. The effectiveness of policy programmes is envisaged in using this evaluation tool and provides information regarding actual performance of these programmes. PART focuses on policy results and consists in a



set of indicators used in order to assess the performance of policy programmes. Each evaluation based on PART use 25 specific questions. These questions are ranging from management of the agency to the management of a specific programme. The answer to these questions results in a numerical score from 0 to 100. In order to avoid possible interpretation of these scores qualitative ratings are correlated with specific scores. These ratings are going from „results not demonstrated” or „ineffective” to „effective”. The scores do not imply an action regarding the programmes envisaged. A programme which is rated as „ineffective” is not automatically terminated; a negative score may imply further improvements of the programme design. An „effective” programme can be subject either to termination when the purpose of that programme is accomplished or can be further financed because of its good results. The results of the assessments using PART scores are made public through an internet website [www.expectmore.gov](http://www.expectmore.gov). The site contains information regarding each governmental programme and is organized in seven sections: direct federal; competitive grant; block/formula grant; research and development; capital assets and acquisition; credit; and regulatory.

Based on the PART assessment each agency receives a score referring to the completion of programme targets. The rates are ranging from green status to yellow and red. The green status means that the agency has good rates for the programmes developed, the red status suggest that further improvement in agency performance is necessary.

Using this website, performance of specific programmes as well as agency's are made available for public scrutiny and offers information about the performance of governmental agencies.

The USA strategic planning and performance system comprises all the elements of an effective framework for allocating and assessing government activities based on specific criteria and performance based approach. Using the matrix described in the previous chapter the reforms developed at federal level in the US public administration system have all the characteristics of a best practice case.

## Summary of Best Practice Case Studies

Country/public Administration institution	Budget Programmes/policy formulation	Monitoring/Policy review	Evaluation/Budget Programme evaluation
<b>United States</b>	<ul style="list-style-type: none"> <li>• Institutional strategic plans (federal agencies);</li> <li>• Annual performance plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Agency performance reports</li> </ul>	<ul style="list-style-type: none"> <li>• PART evaluation tool</li> </ul>
<b>United Kingdom</b>	<ul style="list-style-type: none"> <li>• PSAs (structure to be changed according with the 2010 Spending Review)</li> <li>• Department business plans to be highlighted in the following years)</li> <li>• Spending plans</li> </ul>	<ul style="list-style-type: none"> <li>• Spending Reviews (formal documents assessing the completion of policy targets and the budget allocation for delivery)</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive Spending Review</li> </ul>
<b>Finland</b>	<ul style="list-style-type: none"> <li>• Coalition Agreement (Government programme) – main policy document of the Government</li> <li>• Budget programmes developed by agencies (informal “contracts” with parent ministries)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual report prepared by the agencies to their parent ministry</li> <li>• Report from the ministry to the Parliament</li> <li>• Report on State Finances and Adherence to State Budget</li> <li>• Specific policy area reports (health care and education)</li> </ul>	<ul style="list-style-type: none"> <li>• External institutional evaluations for each ministry and governmental agency</li> <li>• Policy performance reports (research and management institutes)</li> </ul>
<b>Netherlands</b>	<ul style="list-style-type: none"> <li>• Budget bill(s) and memorandum - policy/goal oriented, transparent budget document and clearer data on the government activity (VBTB begun in the 1990s)</li> </ul>	<ul style="list-style-type: none"> <li>• Interdepartmental policy reviews (IBOs)</li> </ul>	<ul style="list-style-type: none"> <li>• Government Account Act gives the Court of Audit a role regarding the efficiency of programmes. Ministries are required to evaluate policy areas once every five years</li> </ul>
<b>Sweden</b>	<ul style="list-style-type: none"> <li>• Since 1997 MTEF was introduced in Sweden</li> <li>• In 2001 a new Budget Bill was introduced, a uniform structure was adopted to be introduced in the management of government agencies.</li> </ul>	<ul style="list-style-type: none"> <li>• The Annual Reports of the agencies</li> <li>• MTEF: agencies have to present a budget request and their financial requirements for the following three years.</li> <li>• The Government presents to the Parliament special performance reports each year.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Reports of the agencies</li> <li>• Audit reports by the supreme audit institution</li> <li>• For each policy the responsible institution prepares an annual report, based on the audit report.</li> </ul>

## 3.2. Local public administration

The cases analysed in this chapter refer to the local public administration and present information regarding the way performance management is implemented in public administration institutions at this level. The examples stress the importance of using modern performance management tools in local public administration as well as the positive impact of these practices for delivering sound policies at local level. The importance of applying these methods at local level lies on the necessity to insure a proper communication system between local and central level. A sound policy process involves proper communication and management systems connecting the central and local public administration. On the other hand, community policy needs are better managed through development of planning, monitoring and evaluation activities.

A bottom up approach to performance management can provide better inputs to policy processes increasing the quality of services provided by local public authorities. The cases analysed are selected from local public administration in New Zealand, a country exemplar of higher performance at all levels of public administration, as well as United Kingdom (London and Cambridge). The last case presented is the case of a particular institution (National Employment Office in Belgium). Even though compared with other cases this case does not envisage a national performance system as those presented in the previous chapter or local public administration cases, it was nevertheless selected in order to stress the possibility of using performance management tools in the management practice of a specific institution.

The sources of information used for drawing the best practice cases presented in this chapter are represented by official websites of local public administration institutions and studies developed by independent research institutes.

### **Christchurch City Council - New Zealand**

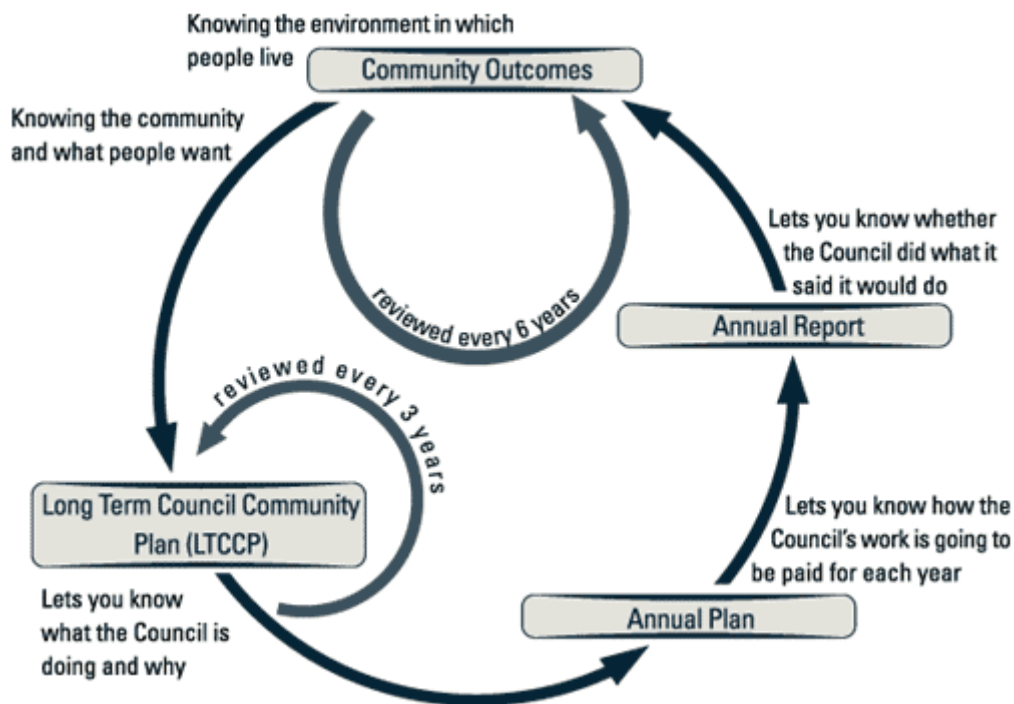
#### *1. Budget programmes/policy formulation*

The City Council creates strategies that set out objectives for different areas of its business and for the development of the city. These are given effect through regulation and more detailed plans for the Council's service delivery.

The Council's ten year business plan is detailed in the Long Term Council Community Plan (LTCCP). The LTCCP brings together all of the Council's planning and legislative activity to specify the services to be provided and how they will be funded.

The strategic planning for the Christchurch City Council follows a well regulated processes which includes a long term vision of the City Council (Long Term Council Community Plan), Annual Plans that describe the needs year by year, Annual Implementation Reports concerning the progress and also Community Outcomes

which are annual reports that describe the realization and the dynamic of the indicators set up for monitoring the policy impacts on the community.



Source: Christchurch City Council, <http://www.ccc.govt.nz>

It is important to notice the central place the Community Outcome occupies in the process of strategic planning. This is a formal document which is requested by law. The 2002 Local Government Act requires the Council to monitor progress towards achieving the Community Outcomes stated in its Long Term Council Community Plan (LTCCP).

The Community Outcomes were identified through community consultation, generated by the implication of the whole community, while the City Council has the role to organize the process, bring together the relevant groups and organizations and also to monitor and report on the progress. The process of agreeing the Community Outcomes has to take into consideration the instruments necessary to measure performance, namely the performance indicators and the so-called *standards for success* which are generated from comparing annually the performance indicators. For example, the city council website presents a comparison between 2006 and 2008 showing dynamics of community standard for success completion.

The key document for the strategic planning is the **Long Term Council Community Plan (LTCCP)**, once every three years. Even if the strategy is updated and refreshed periodically, the objectives are set for a longer period of time, trying to assure a coherent long-term vision. Formally, the Council is required, by legislation, to organize consultation prior to the adoption of the LTCCP.

The strategy brings together the activities and services that the Council intends to provide for a period covering a minimum of 10 years. As mentioned before, this will allow the Council to have a long-term view of its responsibilities but at the same time gives the Council the possibility to adjust budgets according to specific annual contexts and also keep control on the budgets.

The LTCCP is the most important strategic planning document and is the base for the completion of the Annual Plan.

In the past 10 years, Christchurch City Council prepared two strategies, one covering the period 2006 to 2016 and the second from 2009 to 2019. The 2009-2019 strategy was unanimously adopted by the Christchurch City Council setting out a 10-year budget that includes the building and renewing of key infrastructure.

As part of the consultation process, the Council received more than 1300 public submissions to the draft LTCCP 2009-2019, released for public consultation in March 2009. Public hearings were held in May and as a result of submissions and other developments over the past four months, a number of changes were proposed to the draft plan<sup>13</sup>.

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<sup>13</sup> According to the city council website <http://www.ccc.govt.nz>

*Contents of the Long Term Council Community Plan (LTCCP)*

Overview	Introduction	Financial overview	Council activities and services	Financial forecasts	General and technical information	Financial policies	Other policies	Capital endowment fund	Governance and Management
Overview	Introduction	Financial overview	Introduction to activities	Introduction to financial statements	Assessment of various services	Funding impact statement and rating policies	Policy on development contributions or financial contributions	Capital endowment fund	Governance and management
How the Council works	Contents	Capital works programme	City development	Impact of adopting the New Zealand equivalents to IFRS	Introduction	Other financial policies	Development of Maori capacity to contribute to Council decision making processes		
Christchurch and Banks Peninsula map	Introduction from the Mayor	Council's proposed savings	Community support	Income statement	Cemeteries and crematoria	Revenue and financing policy			
Our community today	Council vision		Democracy and governance		Economic development	Public conveniences	Liability management policy	Policy on determining significance	
Our community	Introduction from the Chief Executive	Parks, open spaces and waterways	Statement of change in equity	Storm water					Investment policy
Our environment	Audit opinion	Recreation and leisure			Balance sheet	Wastewater collection and treatment	Policy on partnership with the private sector		
Our economy	How to use this document	Refuse minimisation and disposal	Cash flow statement	Waste management strategy					
Community outcomes	We have listened	Regulatory services			Notes to the financial statements	Water supply			
Strategic directions	Changes from draft to final	Streets and transport	Statement of accounting policies	Council-controlled organisations					
		Wastewater collection and treatment			Statement of accounting policies				
		Water supply	Significant forecasting assumptions						
		Community board funding							

Source: Compiled by the authors

Other instruments of the strategic planning process are the **Annual Plan** and the **Annual Report**. The annual plan is the Council's budget for one financial year and explains how the Council intends to finance the activities and services it provides during that year as directed by its long term plan. The Annual Plan focuses on the financial interventions needed in order to prevent or solve the situations that appeared during the year, based on the performance of the previous year, fresh financial data and based on macroeconomic indicators.

The annual plan includes the Council's long term plan by providing integrated decision making and coordination of the Council's resources. The long term plan is produced every three years. The Annual Plans is not produced in the years when the long term plan is produced. Another type of document is the Annual Report which analyses the activity of Christchurch City Council in previous year and the explanation of the reasons behind the actual implementation activities, the cost of the interventions and how the local budget dealt with the payments. The Annual Report is the annual appraisal of the way the long term plan and the promises made to the community were applied. The annual report shows the Council's overall financial position and performance measured against the financial Key Performance Indicators.

A subdivision of the strategic plan is the District Plan. The District plan is based on the Resource Management Act from 1991 and is known also as the City Plan, defining areas for residential or industrial activities. Under the City Plans, City Councils also prepare Area Plans, reflecting specific zones preferences regarding the use of the territory. Area plans may take one to two years to be developed or longer and are correlated with factors such as gathering of technical information and references to the Environment Court.

Besides the strategic documents mentioned above, Christchurch City Council also prepares Strategies on different fields of activity. These are long term documents covering around 10 years which set vision, objectives, targets, on: arts, child protection, health, water supply and other important areas. The council also has a *Visitor Strategy* which sets the objectives on tourism and leisure and also targets for the tourist and leisure field.

Policies are the main governing instrument. The City Council uses a Policy Register whose role is to lists policies about how the Council operates or interacts with the community. These policies are approved by the elected members of the Council.

There are two types of Council-approved policies:

- **Policy frameworks** (related Council decisions, planning, operations and procedures, e.g. Sustainability Policy; Ageing Together Policy)
- **Tactical policies** (Dog Control Policy; Gambling Venue and TAB Venue Policy)

The Council management also has its own internal policies that direct its in-house operations and practices. These are not included in the Policy Register. Bylaws are the laws available for the entire community and can be found in the Bylaw Register.

## 2. Monitoring/ policy reviews

Reporting and monitoring is the feedback stage of the planning cycle. As well as the Annual report, the Council produces a significant number of reports, some as the output of ongoing monitoring programmes<sup>14</sup>. Monitoring is expected to be ongoing and reporting once every three years.

The Community outcomes are reviewed every six years. The present outcomes for Christchurch City Council, which take the city to 2012, are a safe city; a city of people who value and protect the natural environment; a well-governed city; a prosperous city; and a healthy city.

These outcome objectives were arrived at through a number of participative processes that were conducted during a year period, including:

- Results from monitoring trends and other information (more than 500 measures);
- Reviews of prior consultations (5000 submissions, 54 reports);
- Reviews of reports and literature (300 reports);
- Reviews of government strategies (187 strategies);
- Review of existing Council strategies and
- Community Board statements;
- Stock-take of existing services and funding from the Council and government agencies;
- Interviews with key stakeholders;
- Interviews and workshops with elected members;
- Research with key groups such as people with disabilities, Maori and Pacific people;
- Discussion papers developed with external stakeholders and reference groups;
- Feedback on the 2004 to 2014 LTCCP and the Community Outcomes developed in 2004;
- Feedback from a specially designed section on the Council's website

The management and monitoring instruments prepared by the City Council show the maturity of the strategic planning process and its detailed consequences and stages. The council has introduced the Balanced Scorecard as a core framework for coordinating and managing its strategy implementation efforts. Christchurch City Council has a full suite of scorecards from the executive management to team levels. The Council uses a simpler form of the method which is the *Plan on a Page*.

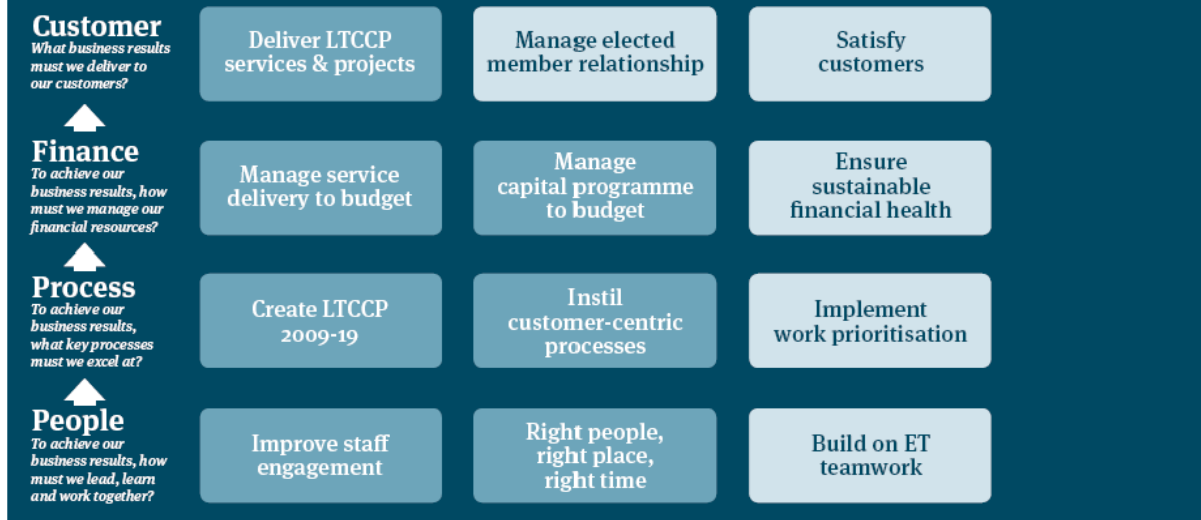
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<sup>14</sup> *Outcome-Based Performance Management: Christchurch City Council Drives Toward a Long-Term Strategic Horizon*, Bernard Marr and James Creelman, Advanced Performance Institute, 2008



# Plan on a Page

## > Executive Team



Source: Advanced Performance Institute, 2008

This is supported by a comprehensive intranet-based system of performance management and measurement system called Horizon that collocates and tracks a large number of operating measures and improvement initiatives. Importantly, the Horizon metrics aggregate up to the Plan on the Page objectives. This is enabled through Horizon, which is a software system developed in-house including the city's comprehensive collection of metrics, targets and initiatives. Another mechanism to manage the strategic planning process and allows Christchurch City Council assesses performance to the criteria is based on the Baldrige framework<sup>15</sup>.

### 3. Evaluation/ programme budget evaluation

The online Horizon tool is updated monthly. This update generates a report for each Plan on a Page / Horizon scorecard. A high level one page overview is supplied for each of the four perspectives, followed by a detailed list of exceptions (results flagged as amber or red). When exceptions are signalled the responsible manager must outline options and a next-step solution, in addition to any explanation of performance variance<sup>16</sup>.

<sup>15</sup> The council was a recipient of the New Zealand version of the Baldrige award, Advanced Performance Institute, 2008

<sup>16</sup> Annual residents' surveys show that 70% of Christchurch residents are "very satisfied" with Christchurch as a place to work, live and play, and also with the way the city looks and feels. Customer satisfaction with service at first point of contact is consistently over 95% - cited from Advanced Performance Institute, 2008

Another useful and effective management and evaluation tool is the Baldrige Criteria. The model evaluates the performance of the city council in 7 performance categories: Leadership, Strategic Planning, Customer and Market Focus, Information and Analysis, Human Resource Focus, Process Management and Results. Such has been the model's success that it has now spawned international awards, for instance the Performance Excellence Study Award (PESA) in New Zealand.

## **Greater London Authority<sup>17</sup> - United Kingdom**

The capital of the UK is one of the largest and most complex cities in the world, facing a challenging time. The population is growing and changing, economic pressures remain as do climate change challenges, all this amid hopes and expectations of a better life for all.

The main strategic planning document is The London Plan. This is the overall strategic plan, setting out an integrated economic, environmental, transport and social framework for the development of London over 20 years. This document brings together aspects of other sectoral strategies (which are used as implementation tools for the overall strategic plan):

- Transport
- Economic Development
- Housing
- Culture
- Social issues, such as children and young people, health and food
- Environmental issues, climate change, waste management

The Mayor of London is currently running an extensive process to revise the London Plan, to ensure that the policies meet the challenges of growth, extend opportunity, improve quality of life and protect the environment.

### *1. Policy formulation/budget programmes*

Strategic planning in the UK is a legal requirement and the Mayor of London is responsible for producing and keeping under review the development strategies for London. The local strategic documents developed by the boroughs of London have to follow the general lines set in the regional (London level) strategic plan.

The general objectives for the London Plan and the process for writing the plan, updating and replacing it are set out in the Greater London Authority Act of 1999. The legislation requires that the plan takes account of three horizontal strategic issues:

- economic development and wealth creation;
- social development;
- improvement of the environment.

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<sup>17</sup> From *Mayor of London, 2008*, <http://www.london.gov.uk/>

As well as the principles equality and opportunities for all and the relevant EU legislation and policy instruments, such as the European Spatial Development Perspective.

Following the legal requirements introduced in the 1999 Act, the first overall strategic plan for London was adopted in 2004 and defined a vision for the city for 20 to 25 years. The structure and content of the plan reflected a strategic approach, dealing with the broad issues the city was facing at the time (The London Plan 2004 with alterations by 2008):

- **Chapter 1 – ‘Positioning London’**  
sets out London’s place in the world, some of the key influences that have shaped London today, and, critically, the forces that are driving future change.
- **Chapter 2 – ‘The broad development strategy’**,  
sets out the key components of the spatial strategy, the over-arching sustainable development policy and more detailed policies for the main spatial elements of the plan, including the Key Diagram.
- **Chapter 3 – ‘Thematic policies’**  
contains the four parts that address the key policy themes.
  - **Part A, Living in London**,  
concentrates on accommodating population growth and meeting the needs of communities, including for healthcare
  - **Part B, Working in London**,  
concentrates on supporting economic growth
  - **Part C, Connecting London**,  
focuses on the critical inter-relationship between transport accessibility and development opportunity
  - **Part D, Enjoying London**,  
expands on the theme of improving the quality of life in London.
- **Chapter 4 – ‘Crosscutting policies’**  
looks at the generic policies that pull the themes together, reflecting in particular the environmental theme of the Mayor’s vision:
  - **Part A, London’s metabolism**,  
addresses climate change, environmental policies and issues
  - **Part B, Designs on London**,  
addresses quality of life, heritage, and design
  - **Part C, the Blue Ribbon Network**,  
looks at the river and water network.
- **Chapter 5 – ‘The sub-regions’**  
looks in more detail at London’s five sub-regions, at provision for the 2012 Olympic and Paralympic Games, at the CAZ and the growth areas. It commits the Mayor, in partnership, to developing Sub-Regional Implementation Frameworks.
- **Chapter 6 – ‘Delivering the vision’**  
sets out the framework for delivering the London Plan, key performance indicators and the arrangements for monitoring progress against the plan’s six objectives.

The revision of the plan currently undertaken by the Mayor spans to 2031 and has a similar strategic approach, but adapts the main development objectives and priorities to the current climate (draft replacement London Plan):

- **Chapter One – Context and Strategy**  
setting out the context in which the current replacement plan has been prepared.

- **Chapter Two – London's Places**  
meeting the needs of different parts of London - including outer London, inner London and central London, Opportunity and Intensification Areas, Regeneration Areas, town centres and industrial land.
- **Chapter Three – London's People**  
ensuring delivery of enough high quality homes meeting the needs of Londoners, and the range of social infrastructure (including health, education and sport) a growing city requires.
- **Chapter Four – London's Economy**  
supporting development and growth of London's diverse economy over the years to 2031, giving Londoners the jobs and opportunities they need.
- **Chapter Five – London's Response to Climate Change**  
reducing London's carbon dioxide emissions, helping the city cope with a changing climate and to manage resources better.
- **Chapter Six – London's Transport**  
ensure London has an efficient and effective transport system that encourages walking and cycling and makes better use of the Thames.
- **Chapter Seven – London's Living Places and Spaces**  
improving the places that people live in, work in and visit, protect green spaces and London's rivers and waterways, ensuring development is safe, secure and accessible.
- **Chapter Eight – Implementation, Monitoring and Review**  
how the policies in the plan will be delivered and progress measured.

Besides the sectoral strategies, which are linked with London Plan (and subordinated to it) the main implementation tools are the two year Greater London Authority (GLA) Strategic Plan and the financial instruments: two year budgets and annual capital spending plans. The budgeting process follows the priorities set in the GLA two year strategic plan, which are in turn drawn from the broader vision described in the London plan and sectoral strategies.

The GLA Strategic Plan (although titled Strategic Plan, its nature tends to be more operational) currently covers the period covers 2010 to 2012. It includes the public authority's commitment and priorities for implementing the strategic priorities included in the London plan, as well as the internal organisational arrangements put in place to deliver the objectives. These relate to:

- Responsibilities
- Performance management
- Corporate governance
- Shared services
- Digital engagement/London Datastore
- Organisational development
- Financial management (including changes in spending plans)

The second part of the GLA Strategic Plan includes a detailed description of the projects and activities, deliverables, milestones, deadlines and people responsible for the delivery, drawn from the London strategies. These are matched in the budget documents (which cover a similar time span) and in the spending plans.

The strategic planning process is an extensive one, led by the Mayor of London and the Greater London Authority planning team, and includes not only the small

organisation supporting the Mayor and the Assembly (GLA), but also the main local public institutions (Transport for London, the London Development Agency, the Metropolitan Police Authority and the London Fire & Emergency Planning Authority). Extensive consultations are employed in the planning process, including an expert review stage (Examination in Public) led by an independent panel.

### *1. Monitoring policy/budget programmes review*

The London Plan includes (in chapter 6 of the current version adopted) the implementation, monitoring and evaluation arrangements, including implementation processes and sharing of responsibilities between the main local public institutions and coordination with other (subordinate) strategic documents. It also includes an indicative annual phasing of activities and allocation of resources necessary. The annual monitoring, based on the on action plan included in the GLA Strategic Plan is coordinated with the annual budget process

The Mayor of London is legally required to review the plan and there are guidelines and procedures for updating parts of the strategic plan and for drafting completely new plans. The 2004 plan has been updated twice by 2008. In July 2008, following the election of a new Mayor and extensive consultations it has been decided to draft a new plan to reflect the changes in priorities, as well as the requirements of new planning legislation. This has represented an evaluation of the previous planning document and was released as “Planning for a better London” – a policy document outlining key areas of the London Plan to be reviewed.

As noted above, the planning document includes a separate chapter dedicated to the implementation of the strategy and sharing of responsibilities. Stemming from this provision, the main implementation tools are the sectoral strategies and the GLA Strategic Plan.

The Greater London Authority has a planning team which drafts a number of monitoring documents for the London Plan, including Annual Monitoring Reports and Technical and Research Reports. The information included in these documents is used to support the implementation of policies and programmes in the London Plan. Another monitoring tool is the London Development Database, which records the progress of planning permissions in the Greater London area, as part of the monitoring of the spatial development strategy contained in the London Plan.

The **Annual Monitoring Reports** are part of the legal requirements for monitoring and assessing the effectiveness of the London Plan. These measures progress on the London Plan against a set of specific targets, outline the involvement of key stakeholders in the review process and consider any policy adjustments needed to keep the plan on track. The reports are based on the Key Performance Indicators described in Chapter 6 of the London Plan, but also include additional contextual monitoring which highlights more specific challenges.

The new plan sets out a vision for London from now to 2031, and the strategic planning process reflects its importance. The schedule for the formulation of the replacement London Plan is as follows:

- Consultation on replacing the London Plan – July 2008
- Announcement of the full review of the plan – December 2008
- Publication of preliminary proposals for the new plan – April 2009
- Publication of the consultation draft new London Plan – October 2009
- Alterations of the draft plan – December 2009 and March 2010
- End of consultation on the draft London Plan – January 2010
- Publication of suggested changes, following consultation – May 2010
- Examination in Public (EiP)<sup>18</sup>, led by an independent panel – June 2010 to October 2010
- Formulation of recommendations report including changes to the plan by the independent panel – end of 2010
- Review of the plan by the central government (Department for Communities and Local Government and Government Office of London) - 2011
- Formal adoption and publication – end of 2011

The London Plan, which is the overall strategic document covering the broad issues. The Greater London Authority adopted a “plan-monitor-manage” approach for the London Plan, which means the plan’s overall direction and policies are based on based on a number of projections, which are monitored to captures changes in circumstances. Whenever changes appear that determine a rethinking of the direction or policies, the plan is adjusted.

Each year progress on the implementation of the London Plan is measured and reported in the Annual Monitoring Report. The reports include an update on the Mayor’s planning activities and set the context for planning development in London. The Mayor has published an Annual Monitoring Report in spring each year since 2005 (the year after the first London Plan was published).

## *2. Policy/budget programmes evaluation*

The formulation of the plan was based on research and evidence available at the time of its preparation. To help in the preparation of the London Plan, technical and research projects have been commissioned throughout the process of formulation, implementation and review of the strategic plan.

The Annual Monitoring Reports for the London Plan test the findings of the analysis by making an assessment of progress against objectives and identifying the organisational arrangements which are best suited to deliver on the set targets. The 28 Key Performance Indicators are intended to enable the assessment of the overall thrust of the London Plan’s suite of policies rather than to identify the impact of single policies individually.

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<sup>18</sup> Structured discussions before an independent Panel of selected matters arising from the Panel’s consideration of the draft Replacement London Plan and of responses to the consultation.

## Cambridge City Council<sup>19</sup> - United Kingdom

Cambridge City Council is a well-managed authority, rated as excellent by the Audit Commission (2008) and with an assessment of 'well above minimum standards' for use of resources. The council strongly promotes environmental and financial sustainability.

In 1996, the council initiated a 25-year medium term financial strategy, as a means to further improve its managerial capacity. The Strategy is a comprehensive document and is a tool to determine sustainable long-term spending plans, plan efficiency savings, finance invest-to-save projects from reserves, assess risks facing the council, plan its use of assets and rationalise its property portfolio. It is also used to improve services, through the effective plans to use funding above the saving targets imposed by the central government to finance these improvements.

The Council developed the strategy through evolution and effective, proactive management and not as a response to difficulties (Audit Commission, 2008).

The Medium Term Strategy (MTS) as the Council terms it to reflect its wider role and content, is the Council's key financial planning document. It sets out, and considers the implications of, the Medium Term Objectives (MTOs) and priorities approved by the Council. This is done by connecting the financial strategy with the Sustainable Community Strategy for Cambridge City, a legally required three year strategic plan setting out the vision for the city and a route map for improving the life of the people.

### *1. Policy formulation/budget programmes*

The Sustainable Community Strategy (SCS) is prepared by local strategic partnerships (LSPs) as a set of goals and actions to be promoted, according with residential, business, statutory and voluntary interests of an area. The SCS should inform the local development framework (LDF) and act as an umbrella for all other strategies devised for the area. In the UK it is a statutory requirement to produce a Sustainable Community Strategy and the Department for Communities and Local Government issues regularly guidelines describing the purpose, responsibilities for and relationships between strategies and plans for the economic, environmental and social wellbeing of local areas (Creating Strong, Safe and Prosperous Communities Statutory Guidance, 2008).

As regards the financial strategy, the Chartered Institute of Public Finance and Accountancy has issued recommendations for producing a Medium Term Financial Strategy and drawn up a template for such a strategy. However, in the case of Cambridge County Council the inception of the Medium Term Strategy preceded these recommendations as well the adoption of similar strategies by most other authorities.

The council believed that a longer-term strategy is particularly important because of the projected growth in dwellings and population. In a 2008 assessment, the Audit

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<sup>19</sup> From Cambridge City Council <http://www.cambridge.gov.uk/>

Commission considered that the major impacts will be after 2011, so it was vital for the council to have assurance that it has the resources and policies that are appropriate for the challenges associated with that growth.

The 25-year strategy is also used as a tool to provide the context for the council's policy on asset disposals. By having that longer-term outlook, the council can decide on disposals while considering its longer-term need for land and buildings in delivering effective services.

Through the MTS, the council brought together all of its core financial and service management information into one document, to outline the inter-relationships between medium term objectives, challenges and resources.

MTS assists the council in making longer-term and more sustainable decisions, as well as better integrating service and financial planning. Objectives for the MTS included integrating all aspects of the council's planning into a single document.

The annual budget process is outlined in the medium term strategy and is correlated with the corporate decision making process, also described and updated in the financial strategy.

One of the principles of the MTS is that it is decisions on service priorities that must determine finance, rather than the other way round. Accordingly, the service plans are brought together within the MTS in the annual planning and decision-making cycle. These service plans can produce resource amendments - bids for growth, or planned reductions in expenditure, reflecting efficiency gains or other savings.

The financial strategy brought together information on the General Fund, the Housing Revenue Account, capital and revenue expenditure plans and forward projections on predicted and required revenue, capital receipts, service costs and potential savings from service efficiencies, including projections for employee spending and asset management.

For example, according to the Audit Commission (2008), a higher than predicted pay settlement agreed by local government employers provided a last minute challenge for the council in its September 2007 MTS. This caused the council to increase its requirement for efficiency savings to maintain its financial strategy.

The construction of the MTS is carried out with the involvement of elected members of the Council Assembly, as well as permanent officers across the organisation. The council's 'constitution' gives opposition parties rights to consult with officers and obtain financial information, but requires those parties to table their budget amendments in advance of the final budget-setting council meeting, so as to ensure they are fully sustainable, using modelling based on the MTS.

In the development and review of the MTS, the corporate management team (the group of strategic directors led by the Chief Executive) has been closely involved and has taken 'ownership' of the process. As the development of the MTS has been an evolution over a number of years, rather than a one off process, it has included views



from across the council. The Audit Commission (2008) noted that the strategic planning process took account of the service heads' schedule of obligations, and allowed them to contribute over time, without making last minute demands for information from them.

## *2. Monitoring policy/budget programmes review*

As stated in the Introduction of the MTS, the financial priorities are based on objectives and medium term service requirements. The policy objectives set in the Sustainable Communities Strategy and subsequent strategic documents are translated into annual action plans and funded through allocations in the annual budgets. The annual reports for the implementation of the strategic plan monitor and assess progress towards those policy objectives, while the review exercises for the MTS are aimed at assuring a balanced budget each year, without the need to make additional savings or change cash limits.

The strategic priorities and objectives set in the Sustainable Communities Strategy are monitored each year and reviewed every three years to include evolutions of the community priorities. This important process is led by the City Council – organised by the policy officers and overseen by the political members – and involves all the stakeholders through the Local Strategic Partnership.

The MTS is a more internal council process and has been initiated and is led by the Council's Director of Finance. The review involves both political members and permanent officers and is driven by projections based on the priorities set in the policy documents.

The statutory guidelines for strategic community planning require, and the strategic documents describe a monitoring mechanism for the strategic plan. This includes a set of targets and a set of national and local indicators, monitored through annual plans and monitoring reports, as well as a detailed three year financial framework to match the Sustainable Community Strategy.

The MTS is implemented through the annual budget cycle, and is monitored in the annual statements of accounts.

Up to 2010, the Audit Commission undertook an annual assessment of the performance of public services and how they work together. This was based on an initial internal evaluation of the Council, using a set of monitoring and evaluation tools:

- Performance indicators measured and benchmarked against national and local indicators.
- Service plans – targets and objectives for the coming year, updated based on the service plan reviews (every October services carry out a mid-year review of progress against their aims and objectives, they also forecast performance for the financial year end in the following March).
- A progress review - details about those plan objectives and performance indicators where performance has fallen behind schedule, or is likely to be below or significantly above target at the end of the financial year.
- Best value performance – initially this was an internal process, replaced by national indicators on efficiency and effectiveness of services from 2009.

The Sustainable Community Strategy follows the calendar recommended by the Department of Communities and Local Government guidelines, and includes an extensive consultation process. The consultation process for the current review for the 2011 to 2014 strategy started in June 2010 and lasts until December 2010.

As part of the annual budget-making process, to implement the MTS, there is an annual review of current service plans each November, which identifies any potential resource amendments. The reviews take into account local and national performance indicators and benchmarking against comparable authorities, where available. The financial strategy includes an outline budget preparation table, as well as projections and forecasts that are updated to reflect the next three years.

### *3. Policy/budget programmes evaluation*

The initial development of the MTS started with the evaluation of the council's existing financial management practices. External auditors were brought in through most of this period (PricewaterhouseCoopers) to review the financial data available. Both policy and financial data are regularly collected and recorded under statutory requirements and external assessments of the Audit Commission, through the defined sets of national and local indicators.

According to the external evaluation of the Audit Commission (2008), the main outcomes of the Medium Term Financial Strategy, and of the assessment it was based on, have been:

- Cambridge has been assessed as 'excellent' in its use of resources, enabling it to balance its budget in a challenging environment
- Every year in which the MTS has been used, the council has achieved balanced budgets without the need to identify additional savings during the financial year through effective use of a cash limit system.
- The council has been effective in identifying and achieving efficiency savings
- The use of the council's Policy Priority Fund, creating 'policy space' to enable effective redirection of resources, has been effective in enabling the council to respond to policy changes
- Capital receipts from asset disposals have been worth several million pounds and assisted the council to meet broader policy objectives. The MTS has helped the council to identify assets that are disproportionately costly to maintain or make insufficient contribution to policy aims, encouraging them to dispose of these and reduce asset maintenance costs.
- The MTFS proved important in assisting the council in delivering a well-managed transfer of political leadership, when the council moved from a long period of Labour control, to outright Liberal Democrat control in May 2000. The change in political leadership led to major changes in spending priorities, but the process was conducted in an efficient and effective manner.

## National Employment Office - Belgium<sup>20</sup>

### 1. Budget programmes/policy formulation

The Belgian National Employment Office (NEO) has developed and applies a strategic planning instrument inspired by Kaplan and Norton's *Balanced Scorecard* model. The model has been adapted to the specific needs of the institution with a view to measure the management of daily activities and the integration of the change projects into one single instrument which includes the following elements: a definition of the NEO's Mission (description of its final goal, main tasks and shared values); the global Strategy (a list of 28 strategic options based upon the mission statement); an annual strategic plan (a selection of strategic options which will be elaborated into national projects or into annual action plans at the level of the local offices).

The institution's strategic plan is completed with a **communication and support strategy** vis-à-vis all administrative levels. Operational standards as well as strategic priorities are laid down in consultation with the management during ad hoc seminars. Every important modification to the Mission and/or the Strategy of the institution is communicated immediately to the entire personnel, either in a brochure or on video. This support medium is intended to bring about discussion and to bring to the surface personnel's remarks and suggestions regarding the process of adjustment.

### 2. Monitoring policy reviews

Follow-up of activities, by means of the management control panels has been operational in the NEO since 1993. This follow-up is now an integral part of the Office's corporate culture. Each month the managers of the local offices receive an overview of the results (graphs and figures) according to a fixed performance model.

The Audit Department has the same data and, basing itself on the managers' monthly reports, puts forward proposals for support campaigns that might be undertaken in specific areas. Several complete years of data are available for most of the management control panels, enabling the highlighting of significant trends.

For this purpose, NEO uses a data warehouse, a data bank used for the storing and the rapid consultation of management control data, which is operational since 1995. On this basis, MISUS, the Management Information System for Unemployment Services, has been developed which main characteristics are: a user-friendly programme, several display possibilities, standardisation, a flexible query system and possibility of extending to other products.

Since all the data required for the efficient management of the institution are not available or could not be entered into the MISUS system, an additional solution had to be implemented, namely the concept of the *Management Cockpit*. Besides data pertaining to results important for the external client, the system also has data covering significant results for the in-house client as well as information on the socio-

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<sup>20</sup> From National Employment Office Belgium <http://www.onem.be/>

economic environment of which the NEO is a part. The Management cockpit has been designed to allow the consultation of all data useful for management in optimal conditions with a graphic presentation aimed at legibility, inclusive of rapid access to additional information on specific data.

NEO uses for its management system the results of the cost price calculation model. This reflects the working costs of each assignment of the NEO per cost centre. By linking the costs (=input) to the production volumes, which are followed up in the management control panel (=output), it is also possible to measure the costs per production unit. Thanks to this detailed cost price data, the managers follow the evolutions of their cost centre and also compare their results in relation to similar cost centres. The method offers the possibility to compare between similar offices and also offers the model to organise more effectively the cost centres or to review and adapt the production process.

NEO pays attention to the correct application of regulations by departments. For this goal, for the last two years the management control panel has been integrating figures in this field relying on the concept of Statistical Process Control. To measure the productivity of the NEO inspectors, the institution has set up a system which allows to take measurements in this specific area without causing any undesirable effects (an increase in the number of sanctions). PROMES (Productivity Measurement and Enhancement System), is the method to measure and to optimise the link between the effort that has been made and its impact on the performance of the institution.

Each year the need for personnel is determined on the basis of the evolution of the work volume, the complexity and the productivity of each of the NEO's missions. The staff, translated into "budget units", is spread over the departments on the basis of objective indicators for the different domains. Apart from the models designed to determine the number of employees required and their allocation, two aspects have been particularly developed in the field of HRM at the Office: a training culture and the direct consultation with the field-workers. The quality of communication is another of the institution's priorities. In this respect, the bottom-up information has been integrated into the management control panel of the support departments.

NEO has set up a "reception device" which has measured its performance since 1992. The results of this survey are available in the "management cockpit", such as the number of visitors, waiting time, quality of the information and accessibility (opening hours).

A system for the exchange of documents between head office and the local offices has been developed, which will later lead to the setting-up of an actual Intranet. The objective is to design a tool of the e-mail type permitting the automation of specific treatments for sending and receiving any kind of document. Each department's annual action plan is included in a database accessible through the office automation system. It enables those managers, confronted with a difficult situation or simply wishing to improve their performance in a given area, to promptly consult actions already undertaken by their colleagues, the method that was followed and the particulars of the person in question.

### *3. Evaluation/ programme budget evaluation*

NEO is based on a continuous revision of the Mission and its Strategy, process built on initiatives and changes. Each year, there are key moments during which important decisions are taken concerning the realisation of the Office Strategy, such as the management control panel seminar, the strategic seminar, the annual action plan. To obtain a more efficient management of the Strategy, these important moments of consultation are included in a strategic calendar:

- a seminar is held every year in order to assess the objectives and the standards laid down in the management control panel.
- the strategic seminar. Important strategic decisions for the coming year are made during the seminar: strategic options, national projects and compulsory parts of the annual action plans at the local level. The effective execution and the follow-up of the projects begin the following year.
- local annual action plans are the third axis of the calendar. These annual action plans are above all a method of participative management, which should allow the institution in its entirety to book progress in the realisation of its Mission and Strategy. The Change management team and the Audit department act as support departments both for the methodological aspects and for the content of the various action plans.

## **4. Evaluation of the strategic planning and performance management frameworks in the network countries**

For the purposes of this study an assessment of the use of performance management tools in the countries of the network using the matrix developed herein allows identification of elements that can be further subject of improvement. Using the information gathered based on the questionnaire filled at the level of central public administration by all of the five countries of the network, this chapter presents, in a structured manner, the main elements of a performance frameworks in central public administration of these countries. The main aspects covered in this chapter are presented in the annex to this study.

### **Poland**

#### *1. Policy formulation/budget programmes.*

In Poland, the framework for strategic programming was created by the Act on the Principles of Development Policy Making of 6 December 2006. The drafting and implementation process is carried out in accordance with the statutory powers of different ministries. The strategic planning process is pursued according to the terms and deadlines of the Act on the Principles of Development Policy Making and also on the basis of the schedule determined by central government bodies, as well as within individual ministries.

The Government of Poland provides resources according to the general personnel policy pursued by the management of various organizational structures of the ministries. Also, higher management participates systematically in supervising the programmes, conducting consultations between important government bodies, making co-decision on the content of the goals (mainly within strategies, programmes and other documents), methods and instruments for their implementation. Strategic programming is one of the subsystems of the country's development management system that encompass the activities of entire government (alongside with implementation and institutional subsystems). The main government bodies regulating and coordinating strategic programming in Poland is the Prime Minister and Council of Ministers, including special committees like the Coordination Committee for Development Policy.

The most important efforts for strategic planning are the comprehensive strategy papers adopted by the Council of Ministers, for example: National Development Strategy 2007-2015 (currently being updated for the years 2011-2020), Long-term National Development Strategy - 2030 (during development), medium-term Strategic Governance Plan, National Strategic Reference Framework - the National Cohesion Strategy 2007-2013.

In what concerns policy formulation, in line with the amended Act on the Principles of Development Policy Making, there are 3 categories of development strategies which constitute a framework for development policy making:

1. Long - term national development strategy with at least 15 years time horizon; a sort of horizontal, complex document. This document is now under development;
2. Medium - term national development strategy with at least 4-10 years time horizon; a sort of horizontal, complex document with reference to the long – term strategy mentioned above. Currently National Development Strategy 2007-2015 plays such a role and is being updated for the years 2011-2020;
3. Other development strategies which would refer to the areas of intervention included in the medium – term strategy, with at most 4-10 years time horizon.

Under these legal assumptions, a coherent hierarchy of interrelated, strategic documents has been established. In order to proceed with the process of better development planning, in March 2010 Polish Council of Ministers reassumed the Development Strategies Rearrangement Plan. According to this plan, a number of binding government papers - long or medium term development programmes and strategies should be optimized and their scopes re-arranged (“Other development strategies” category – see point 3). The purpose of such action was to make departmental policies better embedded in a common, definite framework for strategic planning, to secure transparency for the development programming process and to enhance efficiency of budgetary expenditures.

Therefore, the Council of Ministers` proposal was to limit the number of development strategies and policy papers from 42 already in force to 9 new development strategies implementing medium and long term national development strategy. These 9 strategies refer to different policy areas like innovation and economic efficiency, human and social capital development, environment, efficient state, etc.

Rearranging strategic documents is intended to be conducted in two phases and supervised by the Coordination Committee within the Chancellery of the Prime Minister. First phase concerns strategies: identifying strategic areas for national, social-economic development; determining thematic range of so called integrated strategies (so far 9), adjusting existing strategic documents to the new integrated development strategies and at the same time recognizing some of the strategic documents invalid. The second phase, similar to the first one, concerns long-term programmes.

The idea of rearranging core strategic documents is a part of a broader initiative to make the system for national development management more effective. This initiative was laid down in a document *The assumptions of the system for development management in Poland*, adopted in April 2009 by the Ministry of Regional Development and the Chancellery of the Prime Minister.

## *2. Monitoring policy/budget programmes review*

Strategies are the subject of an institutional monitoring and reporting system. Information about the results of their implementation are included in the annual report on the implementation of the National Development Strategy 2007-2015. A concrete

example for monitoring is the Monitoring and Financial Audit System of Structural Funds and Cohesion Fund (SIMIK), responsible for monitoring of programme implementation financed from Structural Funds.

### *3. Policy/budget programmes evaluation*

The evaluation process is conducted at central level by the National Evaluation Unit. The Unit conducts a series of analyses, including mandatory evaluation reports (for development programmes, long term programmes) in relation to a wide range of socio-economic issues. The Unit is based in the Ministry of Regional Development and has the role to disseminate the results of research conducted through the Evaluation Research Base.

Conclusions and assessments from research of this type are used for enhancing various strategic documents, as well as strengthening the coherence and other effectiveness requirements for the entire (sub) system of strategic programming.

## **Bulgaria**

### *1. Policy formulation/budget programmes*

The process of strategic planning and policy-making is regulated by the Law of Administration (art 2). The Council of Ministers (CoM) is legally bound to adopt a programme defining the strategic priorities of the government during its mandate. Based on the priorities of the government, the ministers set annual goals for the activity of their administrations and control their performance. In order to implement the programme of the CoM, the political cabinets propose to the respective body of executive power strategic priorities, aims and decisions and keep track of their implementation. The Secretaries General are responsible for the planning and accountability related to the implementation of the annual goals of the administration.

### *2. Monitoring policy/budget programmes review.*

No programme based budget system is fully functional at the level of central public administration. Monitoring reports are developed for specific policy topics. Reforms in this field are envisaged in the following years.

### *3. Policy/budget programmes evaluation.*

A series of instruments for strategic planning were introduced over the last years. For example, the preliminary assessment of impact on the environment and on the state budget (financial justification) has been introduced for all acts before their submission to the CoM for discussion. The following impact assessments are not conducted: impact assessment on economic development and mostly on the small and medium size enterprises and their competitiveness, impact assessment on users and impact assessment on socio-cultural development.



## Greece

### *1. Policy formulation/budget programmes.*

Since 2004 a special law has been enacted, which provides the basic guidelines for the implementation of a system of strategic planning, management by objectives and productivity measurement, improving the efficiency and effectiveness of public administration. The Ministry of Interior, Decentralization and Electronic Government is responsible with the coordination and regulation of the strategic planning processes. Each ministry and important national agency (ex. Institutions for the Social Policy) is clearly responsible for the implementation of the action plan for their respective sector. The whole process is coordinated by the Ministry of Interior, Decentralization and Electronic Government.

A midterm strategic planning document is being used (3 to 7 years, for example the Stabilization and Growth Programme and the National Reform Programme, which constitute the Lisbon strategy implementation programme), together with short-term planning documents (less than 3 years – mostly strategic plans of ministries and other institutions). Short-term planning documents are meant to implement the goals of medium and long-term documents with long-term documents topping the hierarchy.

Financial resources are allocated to all Ministries for strategic planning implementation via the Operational Program Administrative Reform 2007 – 2013, which is co – funded by the E.S.F. The public institutions have their own units of strategic planning, but the implementation know-how and methodology are common and provided by the Ministry of Interior, Decentralization and E- Government. Information systems are being developed to facilitate said implementation of know-how.

### *2. Monitoring policy/budget programmes review.*

The provisions of the Law 3230/ 2004, the process for the budget preparation, execution and monitoring and the special methodology of strategic planning (provided by the Ministry of Interior, Decentralization and E-Government) define these procedures and deadlines for their implementation.

Analyses of threats/opportunities and strengths/weakness (as well as other analyses like analyzing external forces) are not a formal part of strategic planning that requires defining missions and goals according to the findings of these analyses. Nevertheless, there is close monitoring of the strategic planning implementation process and any change in conditions requires an update of the stated goals and mission of the strategic planning documents.

### *3. Policy/budget programmes evaluation.*

National information systems are mostly for collecting data of the budget execution procedure; however information systems are currently being developed for use in a strategic planning context.

Within the framework of the Stability – Growth Pact, one action refers to the implementation of performance budgeting systems. Formal evaluation study findings are not factored into the strategic planning process.

## **Lithuania**

### *1. Policy formulation/budget programmes.*

The following documents regulate strategic planning: Law of the Government, Law of Public administration, Law of Budgetary structure, Methods of strategic planning, Calendar of Budget Preparation.

The Prime Minister's Office and Ministry of Finance are responsible for coordinating and regulating strategic planning. However each ministry and other public institutions prepare their own strategic plans that are mostly formally coordinated and regulated by the above mentioned institutions making the system of strategic planning de facto decentralized.

Three types of strategic planning documents are being used: long term documents (more than 7 years, currently the most important document of this type is the State Long-Term Progress Strategy), medium-term documents (3 to 7 years, for example National Lisbon Strategy Implementation Programme) and short-term documents (less than 3 years – mostly strategic plans of ministries and other institutions). Short-term documents are meant to implement goals of medium and long-term documents with long-term documents topping the hierarchy. However, not all short-term documents are de facto subordinated to documents of higher levels.

Strategic plans of ministries and other public institutions are prepared yearly while other planning documents are prepared regularly according to their duration. Financial resources are allocated for strategic planning implementation (public institutions have their own units of strategic planning)

National information systems are mostly for collecting data (measuring performance versus goals is mostly done on paper), however an information system for the this purpose ("Monitoring information system") is currently being developed. Also in 2009 around 12% of all public institutions had information systems for data gathering and analysis and around a quarter were developing information systems.

### *2. Monitoring policy/budget programmes review.*

The Calendar of budget preparation and Methods of strategic planning define these procedures and deadlines for their implementation.

### *3. Policy/budget programmes evaluation.*

The Government has been implementing the project on improving results based management (financed by the ESF) which consists of 3 parts – every part is meant to analyze different aspects of strategic planning (monitoring, evaluation etc.) and

offer ways to improve it. The findings of this project are used for the overall improvement of the process of strategic planning.

## **Romania**

### *1. Policy formulation/budget programmes*

Policy formulation procedures (G.D. 775/2006 and G.O 1361/2006) include regulation for substantiating the government policy and normative acts initiatives. In what concerns strategic planning system as a prerequisite of budget programming it was formally regulated in Romania through two pieces of legislation related to:

1. First stage – the Management Component of the strategic planning process was introduced through the Government Ordinance no. 1807/2006 for the approval of the management component of the medium term strategic planning system for the central government institutions
2. Second stage – Budget Programming Component adopted through the Government Ordinance no.158/2008

All ministries have the obligation to prepare strategies for three-year periods as a consequence of the legislation mentioned above.

The strategic plans are prepared for periods of 3-5 years, with the exception of the National Strategic Reference Framework and the Operational Programmes (reviewed more often). For the 2007 – 2009 period, the ministries had the obligation to prepare the first Institutional Strategic Plan on the two components: Management and Budgetary Planning. According to the law no. 870/2006, the Action Plans for each Ministry should be updated annually by the management group in charge with the implementation of the strategic planning process. Also, the Institutional Strategic Plans (ISP) should be reviewed and updated annually after the state budget is adopted in the Parliament.

The General Secretariat of the Government (GSG) offers consultancy for line ministries for the adoption of the ISP's, technical assistance also including a delegated specialist from the GSG Public Policy Directorate with the role to improve the planning skills of the individual Ministries team. The creation of the Public Policy Units according to the Government Ordinance no. 775/2005 for the approval of the Regulations regarding the procedures for elaboration, monitoring and evaluation of the central government public policy, represents an important step towards the creation of institutional capacities of the Ministries. The units became the task force in charge with policy formulation and the strategic planning at the Ministry level. The Government Ordinance no. 870/2006 stipulates the necessity to create management task forces in every ministry, coordinated by a higher ranked official and assisted by the policy unit or other department in charge with the technical support for the review of the Strategic Plans.

The Ministry of Finance developed SMIS (Single Management Information System) for monitoring of the implementation of Structural Funds and the measurement of the

progress of Operational Programmes. SMIS offers the possibility to measure performance versus goals, but limited to the Structural Funds.

### *2. Monitoring policy/budget programmes review*

The GSG Public Policy Department (PPD) and the Government office have the role to monitor and oversee the implementation of the legal framework regarding the strategic planning process. The strategic plans of the individual ministries are discussed in the Government Meeting in order to ensure a similar methodology and the compatibility of the objectives of different ministries.

Some policy units (for example the Ministry of Interior and Administration unit) developed indicator systems to monitor the dynamics of public policy and decision making. The initiative belongs to the Ministries and, for the moment, only some of them developed such systems.

### *3. Policy/budget programmes evaluation.*

According to the methodologies introduced by GSG and the Ministry of Finance (through a special program, financed by PHARE and called the Evaluation Facility), ex ante analysis should become the basis for strategic planning and ex post analysis should offer a clear image of the results and impact of public policies.

The evaluation is widely used for the progress assessment of the Operational Programmes (at least twice for the Structural Funds programming period 2007 - 2013), and the know-how is spreading to other public policy evaluations. Ex post evaluation is also used as an instrument for assessing the impact of structural funds. The methodology is planned to be extended to all major programmes or public policies initiated by the Romanian Ministries as part of the full Regulatory Impact Assessment.

## 5. Conclusions and recommendations

### 5.1. Conclusions

#### *Policy formulation/budget programmes*

There are several aspects that arise from the analysis above. These aspects reflect issues that need further improvement and refer to the design or implementation framework for increasing the capacity of governmental institutions for policy formulation and preparation of budget programmes (if applicable).

Regarding this stage of policy process the problems that need to be tackled are:

- **Lack of proper information/policy data regarding public expenditure** (budget execution and linkage with policy targets). In most of the countries of the network the information regarding the way policy is implemented and the resources allocated for this purpose is lacking or is insufficient. The information gaps lead to misunderstandings and low level quality of the results of other stages of the policy process (e.g. post evaluation of budget programmes execution and consequently policy results).
- **Poor linkage between policy and budget.** This is a common problem for all performance based management systems. Looking at the best practice examples one can see that even in very developed performance systems (e.g. United States or Netherlands) linkage between policy targets and budget remains a very difficult task in the management of public institutions. This difficulty constitutes one of the main disadvantages of performance based budgeting. Solutions are institutional context based and do not always allow for this linkage.
- **Ex ante evaluation of policy initiatives.** Even though formal procedures are in place in most of the countries of the network much has to be done on the quality and process of policy substantiation. The use of the Regulatory Impact Assessment tool might prove useful for increasing the quality of policies and the level of transparency of governmental activities.

#### *Monitoring/policy review*

Monitoring activities are developed during the implementation of the policy/budget programme. The monitoring of the policy and of the budget programme implementation are considered as interdependent in the policy process and have to be considered as part of the same process and not separately. Therefore for the purpose of this study, monitoring activities include or are part of the interim evaluation of the budget programme implementation.

The information provided at this stage is important not only for future policy formulation activities but also for the process of budget revisions. In the network countries the monitoring process is even more difficult to assess as the programme based budgeting is not fully functional in any of these countries. Nevertheless, some steps have been made for shaping the institutional design of this process. The main issues considered as being particularly important for insuring a sound monitoring system of policy/budget programme evaluation are:

- **Poor information systems for communicating data regarding the ongoing policy programmes.** In all the countries of the network much has to be done on the issue of the monitoring framework and the quality of information gathered during the policy programmes implementation.
- **Poor real time information provided during policy/budget programmes implementation.** Monitoring of policy/budget programmes is essential for a sound performance system. The information gathered during implementation might prove very useful and can change the content of a specific solution previously planned.

#### *Policy/budget programmes evaluation*

As the analysis developed in this study shows, policy/budget programmes evaluation is one of the essential parts of the policy process as a whole. Evaluation of policy, either conducted by nongovernmental or governmental institutions has to make use of information regarding the impact of the policy initiated. This information has to be made available for public and can lead to an increased quality of reviews. Compared with the best practice examples provided in this study, these information systems are rather poor in almost all of network countries. Access to information and proper channels of government communication (e.g. regular policy reports, values of indicators) are crucial for quality evaluation and have to be taken into consideration in future reform initiatives envisaged in the countries of the network.

- **Poor information systems regarding the communication of ex-post impact of policy/budget programmes.** In order to increase the efficiency of the strategic planning process and improve the overall performance of the government, information related to the consequences of a certain policy to how the budget was spent compared to what was initially planned is crucial for conducting sound evaluations. This information should be provided by government institutions in a formal manner so that the evaluation would have enough insights regarding actual implementation of a certain policy (budget programmes) and for increasing the quality of future planning activities.
- **Lack of performance indicators for policy evaluation purposes.** In all the countries of the network indicators tailored on specific policy programmes are not fully developed. The indicators are useful in the monitoring and evaluation of activities and can prove to be essential for the continuation or termination of a certain policy initiative (budget programmes). Policy evaluation is considered dependent on the budget programme evaluation because of the effects of

changing the profile of a proposed policy solution on the way budget is constructed.

## 5.2. Recommendations

The future programming period requires that the results of the *2007-2010 Operational Programme Administrative Capacity Development* are build upon further. In this regard, the EU priorities according to the 2020 Europe Agenda, the institutional modernization are key features for a modern society. Therefore, a set of objectives has to be set to respond to the challenges of the future Europe. The analysis of the network countries performance management show that there is a series of steps that have to be implemented and financed with the help of structural funding in order to improve their strategic planning/performance management systems:

- Renewal of the internal procedures and the services of public administration;
- Improvement of the information/communication systems and processes within the public administration;
- Mechanisms to improve evidence based policy (impact assessment) and budget programme design, monitoring and evaluation through studies, statistics and expert advice, support for interdepartmental coordination and dialogue between relevant public and private bodies;
- Capacity building in the delivery of policies and programmes in the relevant fields, including the enforcement of legislation, especially through continuous managerial and staff training and specific support to key services and socio-economic actors, including social partners, relevant non-governmental organisations and representative professional organisations;
- Development of instruments for performance measurement for public institutions (performance indicators);
- Development of sound monitoring and evaluation systems as parts of the performance management system;
- Improvement of the linkage between policy targets and budgetary programmes;
- Development of reporting systems for ongoing budgetary programmes;
- Preparation of the transition from annual budgetary planning to medium term budgetary programming, which requires that the previous objectives have been met.

## Annex 1. Best practice cases in central public administration

Country/public Administration institution	Budget Programmes/policy formulation	Monitoring/Policy review	Evaluation/Budget Programme evaluation
<b>United States</b>	<ul style="list-style-type: none"> <li>• Institutional strategic plans (federal agencies);</li> <li>• Annual performance plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Agency performance reports</li> </ul>	<ul style="list-style-type: none"> <li>• PART evaluation tool</li> </ul>
<b>United Kingdom</b>	<ul style="list-style-type: none"> <li>• PSAs (structure to be changed according with the 2010 Spending Review)</li> <li>• Department business plans to be highlighted in the following years)</li> <li>• Spending plans</li> </ul>	<ul style="list-style-type: none"> <li>• Spending Reviews (formal documents assessing the completion of policy targets and the budget allocation for delivery)</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive Spending Review</li> </ul>
<b>Finland</b>	<ul style="list-style-type: none"> <li>• Coalition Agreement (Government programme) – main policy document of the Government</li> <li>• Budget programmes developed by agencies (informal “contracts” with parent ministries)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual report prepared by the agencies to their parent ministry</li> <li>• Report from the ministry to the Parliament</li> <li>• Report on State Finances and Adherence to State Budget</li> <li>• Specific policy area reports (health care and education)</li> </ul>	<ul style="list-style-type: none"> <li>• External institutional evaluations for each ministry and governmental agency</li> <li>• Policy performance reports (research and management institutes)</li> </ul>
<b>Netherlands</b>	<ul style="list-style-type: none"> <li>• Budget bill(s) and memorandum - policy/goal oriented, transparent budget document and clearer data on the government activity (VBTB begun in the 1990s)</li> </ul>	<ul style="list-style-type: none"> <li>• Interdepartmental policy reviews (IBOs)</li> </ul>	<ul style="list-style-type: none"> <li>• Government Account Act gives the Court of Audit a role regarding the efficiency of programmes. Ministries are required to evaluate policy areas once every five years</li> </ul>
<b>Sweden</b>	<ul style="list-style-type: none"> <li>• Since 1997 MTEF was introduced in Sweden</li> <li>• In 2001 a new Budget Bill was introduced, a uniform structure was adopted to be introduced in the management of government agencies.</li> </ul>	<ul style="list-style-type: none"> <li>• The Annual Reports of the agencies</li> <li>• MTEF: agencies have to present a budget request and their financial requirements for the following three years.</li> <li>• The Government presents to the Parliament special performance reports each year.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Reports of the agencies</li> <li>• Audit reports by the supreme audit institution</li> <li>• For each policy the responsible institution prepares an annual report, based on the audit report.</li> </ul>



## Annex 2. Current status of strategic planning and performance management frameworks in the network countries

Country	Policy formulation/budget programmes	Monitoring policy/budget programmes review	Policy/budget programmes evaluation
<b>Poland</b>	<p><b>Yes</b></p> <p>The framework for strategic programming was created by the Act on the Principles of Development of Policy Making of 6 December 2006.</p> <p>Strategic programming is one of the subsystems (alongside with implementation and institutional subsystems) of the country's development management system; it encompass the activities of entire government.</p> <p>Activities of this kind are conducted in accordance with the deadlines of the amended Act on the Principles of Development Policy Making of 6 December 2006 and also on the basis of the schedule determined by central government bodies, as well as within individual ministries. The government provides resources according to the general personnel policy pursued by the management of various organizational structures of the Ministry.</p>	<p><b>Partial</b></p> <p>An example is the Monitoring and Financial Audit System of Structural Funds and Cohesion Fund (SIMIK). This system is applied only to the Structural Funds evaluation.</p> <p>The strategies are the subject to an institutional monitoring and reporting system. Information about the results of their implementation are included in the annual report on the implementation of the National Development Strategy 2007-2015.</p>	<p><b>Yes.</b></p> <p>Mandatory evaluation reports (for development programmes, long term programmes). In relation to a wide range of socio-economic issues, National Evaluation Unit created in Ministry of Regional Development arranges the conduct and dissemination of research results of the evaluation by Evaluation Research Base.</p> <p>The government has information systems in place which facilitate measuring actual performance versus goals.</p>

<p><b>Bulgaria</b></p>	<p><b>Yes</b></p> <p>Since 2006 the process of strategic planning and policy-making is regulated by the Law of Administration (art 2)</p> <p>Based on the priorities of the government, the ministers set annual goals for the activity of their administrations and control their performance. In order to implement the programme of the CoM, the political cabinets propose to the respective body of executive power strategic priorities, aims and decisions and keep track of their implementation. The Secretaries General are responsible for the planning and accountability related to the implementation of the annual goals of the administration.</p>	<p><b>Partial</b></p> <p>Monitoring reports for specific policy issues. No regular monitoring activities based on performance are conducted by central public administration.</p>	<p><b>Partial</b></p> <p>A Common Assessment Framework (CAF) was developed in 2000, based on the model of the European Foundation for Quality Management (EFQM). It was specially designated for the public sector organisations. The introduction of CAF is free for the administrations. Presently, there are three administrations in Bulgaria which are at the initial stage of introduction of CAF. Decree of the CoM 216 of 12/10/2005, stipulates the obligation to prepare preliminary impact assessment analysis for the legislation, especially the financial acts</p>
<p><b>Greece</b></p>	<p><b>Yes</b></p> <p>A law has been enacted that provides basic guidelines for the implementation of strategic planning. The Ministry of Interior, Decentralization and Electronic Government is responsible for coordinating and regulating strategic planning.</p> <p>Medium term strategic planning documents are being used (3 to 7 years, for example the Stabilization and Growth Program and the National Reform Program which constitute the Lisbon strategy implementation program) and short-term documents (less than 3 years – mostly strategic plans of ministries and other institutions). Financial resources are allocated to all Ministries for</p>	<p><b>Partial</b></p> <p>The law defines the procedures and deadlines for budget preparation, execution and monitoring</p> <p>There is a close monitoring of the strategic planning implementation process and change in conditions requires redrafting of goals and mission</p> <p>Information system is currently being developed.</p>	<p><b>Partial</b></p> <p>In the framework of the Stability – Growth Pact, one action refers to the implementation of a performance budgeting system. Formal evaluation study findings are not factored into the strategic planning process</p>

	<p>strategic planning implementation via the Operational Program Administrative Reform 2007 – 2013, which is co – funded by the ESF. Public institutions have their own units of strategic planning, but the implementation know-how and methodology are common and provided by the Ministry of Interior, Decentralization and E- Government.</p>		
<b>Lithuania</b>	<p><b>Yes</b></p> <p>Lithuania has implemented a system of strategic planning based on the Methods of strategic planning.</p> <p>Following documents regulate strategic planning: Law of the Government, law of Public administration, law of Budgetary structure, Methods of strategic planning, Calendar of budget preparation.</p> <p>Prime Minister's Office and the Ministry of Finance are responsible for coordinating and regulating strategic planning. However each ministry and other public institutions prepare their own strategic plans that are mostly formally coordinated and regulated by the above mentioned institutions making the system of strategic planning de facto decentralized.</p> <p>There are three types of strategic planning documents used: long term documents (more than 7 years, currently the most important document of this type is State long-term progress strategy), medium-term documents (3 to 7 years, for example National Lisbon strategy implementation programme) and short-term</p>	<p><b>Partial</b></p> <p>Calendar of budget preparation and Methods of strategic planning define procedures and deadlines for their implementation.</p> <p>Information systems are currently being developed</p>	<p><b>Partial</b></p> <p>The Government has been implementing a project on improving results based management (financed by the ESF) which consists of 3 parts – every part is meant to analyze different aspects of strategic planning (monitoring, evaluation etc.) and offer ways to improve it. The findings of this project are used for the overall improvement of the process of strategic planning.</p>

	<p>documents (less than 3 years – mostly strategic plans of ministries and other institutions) - strategic plans of ministries and other public institutions are prepared yearly while other planning documents are prepared regularly according to their duration.</p> <p>Financial resources are allocated for strategic planning implementation (public institutions have their own units of strategic planning)</p>		
<b>Romania</b>	<p><b>Yes</b></p> <p>The strategic planning system was regulated through 2 pieces of legislation: the Management Component of the strategic planning process and Budget Programming Component.</p> <p>All the ministries have the obligation to prepare strategies for 3 year periods as a consequence of the legislation mentioned above. The strategic plans are prepared for periods of 3-5 years</p> <p>For the 2007 – 2009 periods, the ministries prepared the first Institutional Strategic Plans on two components: Management and Budgetary Planning. According to the law (870/2006), the Action Plans for each Ministry should be updated annually by the management group in charge of the implementation of the strategic planning process</p>	<p><b>Partial</b></p> <p>The GSG through the Public Policy Department (PPD) and the Chancellery of the Government have the role to monitor and oversee the implementation of the legal framework regarding the strategic planning process. Some PPU's (for example the one in the Ministry of Interior and Administrative Reform) developed systems of indicators to monitor the dynamics of public policy and decision making. The initiative belongs to the Ministries and, for the moment, only some Ministries developed such systems.</p>	<p><b>Partial</b></p> <p>According to the methodologies introduced by GSG and the Ministry of Finance (through a special program, financed by Phare and called the Evaluation Facility), the ex ante analysis should become the basis for the strategic planning; the ex post analysis should offer a clear image of the results and impact of public policies. The evaluation is widely used for the progress assessment of the Operational Programs (at least twice for the Structural Funds programming period 2007 -2013), and the know-how is spreading to other public policy evaluations. The Government does not have information systems in place which facilitate measuring actual performance versus goals. Also, the Institutional Strategic Plans should be reviewed and updated annually after the state budget is adopted in the Parliament.</p>

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