Activities of Government of the Republic in assessing impact of its work and performance reporting

Does the Government of the Republic manage the achievement of the goals it has established?

Report of the National Audit Office to the Riigikogu Tallinn, 18 September 2012

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Summary of audit results

What did we audit?

The Government of the Republic is allocated money from the state budget with the consent of the Riigikogu, which must be used for the achievement of certain goals, such as reducing unemployment and poverty, or improving the situation in rural areas. The goals that the Government of the Republic wants to achieve and the changes it wants to see in society are set forth in development plans. The development of Estonia is steered formally with more than one hundred long-term strategy documents, which are complemented by annual operational programmes, action plans and reports on their execution that are prepared by ministries. According to the Ministry of the Environment, two-thirds of ministry's officials are engaged in the administration of the development plan system. The Ministry of Education and Research estimates that the relevant expenses comprise *ca.* 20% of the payroll of the ministry's management and the relevant departments.

The National Audit Office audited whether and how the Government of the Republic uses this expensive system to steer Estonia towards the achievement of its development goals. The National Audit Office evaluated whether the state's activity report gives a reliable and balanced overview of how the Government's activities have contributed to the achievement of the goals that are important for the society's development. The National Audit Office also analysed whether performance and impact assessment is used in state budget drafting and in the creation and implementation of sectoral policies, and the extent to which it is used[1].

Why is it important for taxpayers?

Every day the Government of the Republic adopts resolutions that have an impact on the daily life and welfare of Estonian people. The activities of the Government determine the accessibility and quality of medical care, education opportunities, support for the elderly and people in need. In order to use taxpayers' money prudently and make the best choices, the Government needs to know about the results it has so far achieved in its activities, and make new decisions based on this knowledge. The

[1] The auditees included the Ministry of Finance, the Ministry of Economic Affairs and Communications, the Ministry of the Interior, the Ministry of Education and Research, the Ministry of the Environment, the Ministry of Social Affairs and the Government Office. The conclusions made in the audit are based on the activities of the audited agencies.

Government also has to give the public reliable reports on how well it has managed to achieve its goals.

The Government of the Republic has *ca.* 6.6 billion euros of state budget funds and also some non-monetary means to use for social development and achievement of the goals it has set for itself.

What did we find and conclude on the basis of the audit?

The National Audit Office is of the opinion that the Government of the Republic has failed to use the opportunity to pursue important social goals, because the success of the activities that require ministries' substantive cooperation is not evaluated and the actual amounts of money required for the achievement of goals are not considered when the state budget is drafted. The state's activity report also fails to give a reliable overview of how the Government's activities have contributed to the achievement of goals.

The National Audit Office is of the opinion that in order to avoid incurring unnecessary expenses in relation to the development plan system and use taxpayers' money more successfully, the Riigikogu and the Government of the Republic need to make a clear decision on the kind of (performance) information they need to manage the achievement of goals.

- **Achieving important social goals that are important for society (e.g. reducing poverty and increasing employment) requires a whole-of-government approach, but the Government of the Republic has not steered the ministries towards substantive cooperation as much as necessary.** Ministries are of the opinion that activities are mainly planned together on paper during the preparation of development plans that cover more than one ministry and the state budget strategy, and its impact on financing and managing the area of government is insignificant. The Government of the Republic has also failed to assess the impact of the ministries' activities on the achievement of the goals set in development and action plans.

- **The impact of financing decisions on the achievement of goals that are important for society is not assessed in state budget drafting.** Development plans play no role in state budget drafting and the budgets of ministries do not depend on analyses and impact assessments. Every year, ministries have to submit to the Ministry of Finance reports on the execution of their previous activity plans, the four-year development plans of their domains and the action plan for the year, which includes descriptions of their goals and the activities required for their achievement, but the Ministry of Finance does not use this information when making financing proposals.

- **The goal of state budget negotiations is not to consider financial applications and priorities on the basis of performance information, but to maintain mathematically calculated limits.** Four of the five audited ministries found that there are no substantive negotiations.

- **The state's activity report fails to give a reliable overview of the results of the Government's activities in achieving the**

development goals that are important for society. Only successes are mentioned in the state's activity report, which is the only comprehensive report on the Government's performance, and problems are omitted. Although the five audited ministries highlighted 68 goals and activities that had not been achieved or completed in their 2010 action plan execution reports, the Ministry of Finance only included two of them in the state's activity report. According to the state's activity report 2009, every single goal was achieved in the five areas of government that were audited.

- **An expensive system of development plans that is a burden on ministries has been created to manage the state's development, but it is hardly considered in decision-making.** Three of the five ministries found that they only report on the execution of their action plans because they are required to do so by the Ministry of Finance, but they do not use the report in making new choices. However, the action plan of an area of government is formally the basis for using state budget funds, as it is approved by the Government of the Republic and sets out the area of government's goals for the year. Informing the public about the things that taxpayers have received in return for the use of state budget funds should be the purpose of an action plan execution report.

- **According to statutes, internal control departments have to contribute to the achievement of their area of government's goals by identifying the risks that may threaten the achievement of goals, but the National Audit Office did not find that internal auditors monitor the achievement of goals systematically.** The interviewed heads of internal audit departments also said that internal audits mainly focus on auditing the lawfulness and expediency of the use of funds, while they do not have enough money, time or people to monitor performance.

- **The National Audit Office is of the opinion that the area of homeland security in the Ministry of the Interior and the Ministry of Social Affairs try to identify the impact of their activities more than the average. The Ministry of Education and Research is currently developing an impact assessment model.** Impact is also better known in areas where submission of data is required by international organisations, statistical data is collected at the domestic or international level or the area is an academically attractive subject of research (e.g. social affairs).

The Minister of Finance already acknowledged the problems in the document "Concept for Development of Public Financial Management" prepared in 2007, and suggested that a transition to a performance-based budgeting system could be a viable solution. This would mean that goals and the money allocated for their achievement would be specified in the annual State Budget Act. The performance-based budgeting system requires ministries to be able to evaluate the expected results of their activities at different amounts of financing and in a changing external environment.

The audited ministries are mostly in favour of tightening the connection between performance and money (which may not necessarily mean using performance-based budgeting), but add that neither they nor the Ministry of Finance currently have the capacity required to decide on the distribution of money on the basis of (expected) performance. We also have to ask how much and where giving more consideration to performance when making financing decisions would be possible and reasonable.

The Ministry of Finance introduced its reform plans to the Cabinet in January 2008, but ministers did not approve the proposals for developing financial management. The National Audit Office is of the opinion that the activities of the Ministry of Finance in the development of financial management have been insufficiently targeted and poorly organised, as the Government has failed to give clear directions on whether and how the development plan system and budgeting should be further developed. The Internal Audit Department of the Ministry of Finance came to the same conclusion in its 2012 audit report “Activity of Ministry of Finance in Developing Public Financial Management”.

Recommendations of the National Audit Office to the Minister of Finance

The National Audit Office finds that the Riigikogu and Government of the Republic should give clear guidelines about the kind of (performance) information they need in order to manage the state’s development goals. This means deciding whether the goal should be to assess the impact of the state’s activities on a broader scale and use the results in making management decisions, or to reduce the administrative burden and expenses of maintaining the strategic planning system. This means that it is necessary to identify the extent to which connecting impact assessment with state governance would be reasonable, as well as the opinions and readiness of ministries.

If information from impact assessment and reporting will be increasingly used in making management decisions, it would also be necessary to agree on impact assessment principles (extent, priorities, level, financing and mechanisms for checking the reliability of data). Impact assessment capacity should be enhanced and best practices adopted. On top of that, it should be clearly determined where strategic plans are to be used in state budget drafting and decision making in different areas of government.

If output results of the activities of the government (immediate performance of specific support, projects or main measures) are to be used more broadly in decision making, it will be necessary to agree on the principles for collecting output results and guaranteeing the reliability of data. It is also necessary to clearly determine where information on output is used in state budget drafting and decision making in different areas of government.

The National Audit Office is of the opinion that reducing the administrative burden of ministries should be set as the goal of streamlining the strategic planning system in other cases.

Responses of auditees

The auditees mostly agreed with the conclusions and proposals made by the National Audit Office. The ministers and State Secretary admitted that the audit report highlighted serious problems and raised significant issues. The Minister of Finance is of the opinion that the challenges described in the report must be overcome in order to use the state's money more successfully. The minister added that he was already working on plans to develop strategic management and budget drafting in order to improve the situation. The initial plans were introduced to the Cabinet at a meeting held on 21 June 2012. The Government of the Republic's approval of the developments will be sought in autumn 2012.

The Minister of Finance agreed with the recommendation to reflect the performance of the state in the achievement of goals in a balanced and analytical manner in the further activity reports of the state. The Ministry of Finance will consider the National Audit Office's proposal to have the secretaries general of ministries introduce their action plan execution reports to the Riigikogu.

Table of Contents

Overview of the system of setting goals, planning activities and reporting on performance in Estonia

Important social goals —the National Audit Office refers here to the changes the Government attempts to make and that are aimed more or directly at improving the welfare and living environment of people. For example, reducing poverty, reducing crime and reducing pollution.

1. The issue of the Government's performance and the impact of its activities on the daily lives of people has started to come to the fore in developed countries in addition to the lawful use of taxpayers' money. The Government is expected to set important social goals, manage their achievement and report on performance. The emphasis has shifted from the question 'What does the Government spend money on?' to the question 'What have taxpayers got for their money?'.

Did you know that

the oldest development plan still in effect is the "General Concept of the Disabled Policy of the Republic of Estonia", which the Government of the Republic adopted in 1995.

2. Governments use different strategic planning, budgeting and reporting systems to answer this question, and the common part of these is preparation of development plans to manage the state's development. Preparation of development plans started in Estonia after the restoration of independence. The role of development plans in the state budget process was gradually specified and fully determined by the end of 2005.

3. The first document similar to a state budget strategy which set forth the state's long-term goals was prepared in 2000. The decision to consider earlier activities and expected performance in budgeting was worded in the administrative reform programme approved by the Government of the Republic in 2001[2]. This was followed by the introduction of the four-year budget strategy into the state budget drafting process. The State Budget Act for 2002 stipulated that ministries must submit their goals and activities for the next four years to the Ministry of Finance each spring. The plans of ministries became the basis on which the state budget strategy is prepared. The Government of the Republic undertook to approve the state budget strategy not later than seven months before the start of the new budgetary year.

4. In the same year the Riigikogu decided that the state budget itself must also be prepared in consideration of the goals of areas of government. The requirement that ministries must submit one-year action plans to the Ministry of Finance together with their budget applications, setting out the goals for which money will be used and the actions that will be taken to achieve the goals, was added to the State Budget Act.

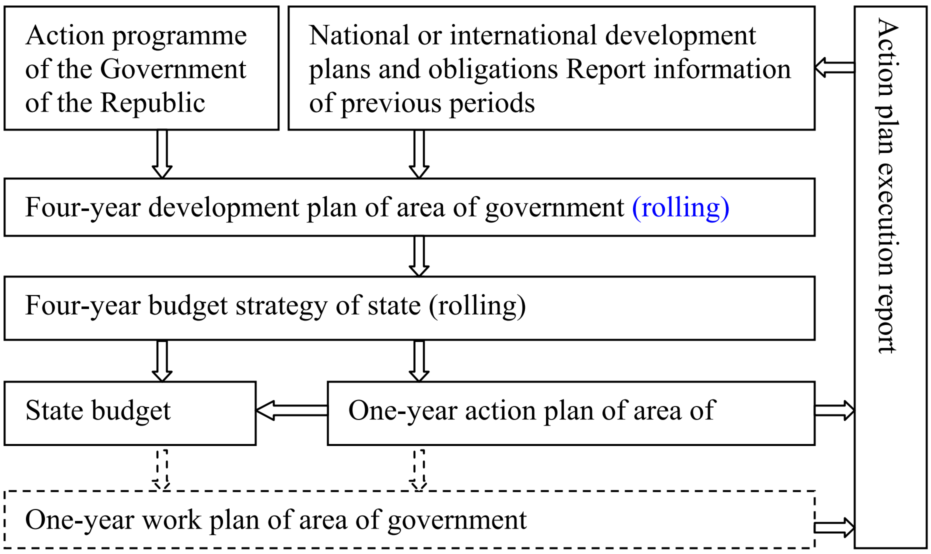
[2] Approved with a resolution adopted at the Government of the Republic session held on 24 January 2001.

State governance with development plans and performance information

Strategic Planning Regulation – Government of the Republic Regulation "Types of Strategic Development Plans and Procedure for Preparation, Amendment, Implementation, Evaluation of and Reporting on Strategic Development Plans" of 13 December 2005, which formalised the system of development plans and its use in the management of the state's development.

5. An important step in the creation of an objective-oriented management system was taken at the end of 2005, when content requirements were established with a Government of the Republic Regulation, which also determined where the plans were to be used in the state budget process (see Figure 1).

Figure 1. Governing the state of Estonia on the basis of development plans and their use in state budget drafting



Source: National Audit Office on the basis of the State Budget Act and the Strategic Planning Regulation and Accounting Act

Rolling development plan or strategy – a development plan or strategy that is prepared for a longer period but updated annually.

6. According to Estonia's strategic planning system, the Government of the Republic governs the state on the basis of the ministries' four-year development plans and one-year development plans, which are updated annually. Each spring, ministries present the goals of their areas of administration for the next four years, the indicators that characterise the achievement of the goals, the required activities and financing applications to the Ministry of Finance (see Table 1).

Table 1. Examples of setting goals and managing their achievement in area of government development plans for 2013-2016*

Goal	Indicator	Action	Output	Expected result
Increased security of people and property	Proportion of victims of crime	Reaction to events that require police involvement	Police have reacted quickly and successfully	Security of people and property has increased and there are fewer victims of crime
People's income, quality of life and social security increase	Employment rate	Provision of labour market services and benefits	People have returned to the labour market	Restoring or increasing people's income, quality of life and social security; increased employment
Innovative and internationally competitive Estonian companies	Productivity compared to EU average	Supporting the investments of companies	Investments made with support that increase productivity	Estonian companies are more competitive internationally and their productivity has increased

* Only one indicator, action and output that characterises the achievement of a goal is given as an example in the table; there are more of them in the development plans.

Source: National Audit Office on the basis of development plans

Goal – change or status that the Riigikogu and the Government of the Republic seek to achieve in the state's development. Set in development and action plans.

Indicator – measures the achievement of a goal or progress towards the achievement of a goal.

Action – action or set of actions required and carried out for the achievement of a goal.

Output – immediate result of an action, which separately does not yet characterise an impact on society's development. The link between output and the achievement of goals must be additionally clarified.

Development plan of area of government is the plan prepared by ministries and constitutional institutions every year to describe the goals of the area of government for the next four years, the indicators that illustrate progress towards the achievement of goals, and the important actions to be implemented. The development plan is submitted to the Ministry of Finance and forms the basis for the preparation of the state's four-year budget strategy.

7. Development plan for area of government is prepared by the minister, who has to consider all relevant national development plans (incl. points of cooperation with other ministries), international obligations and development plans, the action programme of the Government of the Republic and their own performance so far (reports on execution of development plans and action plans).

8. The Government of the Republic approves the four-year budget strategy of the state on the basis of the development plans of areas of government, but as the budgets of areas of government are not specified in this document, state budget funds have been distributed and development has been planned one year at a time. Areas of government prepared the budget application for the next year according to the amount limits and guidelines given by the Minister of Finance. The development plan of the area of government must be submitted to the Ministry of Finance with the budget application, and it must describe the goals that the area of government plans to achieve and how it intends to achieve them. § 10 of the State Budget Act stipulates that the action plan of an area of government is the document on the basis of which the state budget strategy, the state budget and the development plan of the area of government are executed.

Development plan of area of government is the plan prepared by ministries and constitutional institutions every year to describe the goals of the area of government for the forthcoming year, the indicators that illustrate progress towards the achievement of goals and the important actions to be implemented. An action plan is submitted to the Ministry of Finance with a budget application and forms the basis for the preparation of the state budget.

9. The importance of the development plans of areas of government in the budgetary process is also highlighted by the so-called strategic planning regulation, which says that "the Ministry of Finance evaluates the compliance of an action plan with the state budget strategy, the ministry's development plan and the draft state budget. The action plan forms the basis of budget negotiations and the preparation of the explanatory memorandum of the draft state budget." (See Figure 1.)

10. The Government of the Republic has approved the action plans of areas of government that form the basis for the state budget since 2007, which created the obligation to report to the general public and the Riigikogu about the execution of the action plan. After the budgetary year has come to an end, ministries submit to the Ministry of Finance their action plan execution reports, which must highlight the goals they achieved and the reasons any goal was not achieved. The Ministry of Finance collates the action plan execution reports of ministries in the state's activity report and submits it to the Riigikogu for approval as part of the state's consolidated annual report. As the action plan of an area of government is the execution document of both the state budget strategy and the development plan of an area of government, the action plan execution report is basically the one document that talks about the performance of the state. According to the strategic planning regulation, it is also an important source of information for making new decisions.

Area of government action plan execution report is the report prepared by ministries and constitutional institutions which describes how well they managed to execute their action plans. Goals that were not achieved must be highlighted, with reasons. The reports are submitted to the Ministry of Finance, which collates the information in the state's activity report and adds it to the consolidated annual report submitted to the Riigikogu. The Riigikogu approves the report.

11. Disagreements that are not resolved in state budget negotiations are resolved in Cabinet discussions. Pursuant to the State Budget Act, the Government of the Republic submits the draft state budget to the Riigikogu at least three months before the start of the budgetary year. The Riigikogu must adopt the state budget not later than at the start of the budgetary year, and they can consider the earlier performance of the state or the state's activity report when making the decision.

Work plan of area of government – is an internal work organisation document of an area of government. The form the document takes is not regulated, but it must ensure that the goals set in the action plan of the area of government are achieved.

12. The State Budget Act and the strategic planning regulation do not provide detailed regulation of how ministries should plan activities to achieve the goals set in their development and action plans. Ministries prepare annual work plans for the day-to-day management of activities in their areas of government. Preparing the work plan that leads to the achievement of the Government of the Republic's goals, assessment of the impact of one's activities and adjustment of the work plan if necessary is a task and responsibility of ministries.

Activity of ministries in using performance information

Performance information – The National Audit Office regards an area of government's knowledge of the impact of its past activities and the expected performance of future activities as performance information. Performance information can be collected by an area of government itself, or they can order surveys from experts.

13. The development and action plans that ministries are required to submit for state budget drafting have been defined, but legislation does not give detailed guidelines on how much and in what way ministries have to use performance information and impact analysis in managing their areas of government and justifying their budget applications. At the level of legislation, the State Assets Act stipulates that the administrator of state assets must administer state assets purposefully, expediently, sustainably and prudently. In greater detail, however, the tasks of ministries can only be derived from the determination of the information they must collect and possess for the preparation of development plans and reports. As the state budget is prepared on the basis of development and action plans pursuant to legislation, and ministries are obliged to report on the execution of their action plans to the Riigikogu and the general public, the actual performance of this task requires ministries to identify the links between the achievement/non-achievement of their activities and goals.

14. The statutes of ministries and the development plans of areas of government also phrase the principle that state budget funds must be used purposefully and efficiently. The internal departments of ministries have taken it upon themselves to give an opinion on the efficiency of the area of government's activities and/or to create an internal control system to monitor the achievement of goals and identify any deviations.

Activity of the Ministry of Finance in using performance information

15. The tasks of the Ministry of Finance in association with the use of performance information have been set out in the State Budget Act, the strategic planning regulation and statutes. According to the statutes of the Ministry of Finance, one of the tasks of the ministry is to monitor the use of the state's resources and to assess its efficiency. When answering the questionnaire of the National Audit Office during the audit, the Minister of Finance worded its duties as follows:

> "The leading role of the Ministry of Finance in developing the state's strategic planning process and using performance information in the state budget drafting process has been defined in the State Budget Act and the strategic planning regulation.
>
> The functions of the Ministry of Finance are improvement of the quality of policy planning and execution, and the efficient, transparent and sustainable use of state budget funds."

16. This means that one of the functions of the Ministry of Finance is to support the use of performance information in state governance by advising ministries on strategic planning and demanding that they submit performance information, which the Ministry of Finance then considers in the state budget process.

Activity of the Government Office in using performance information

17. Use of the state's strategic planning system and the activities of the Government of the Republic in the achievement of development goals are also supported by the Strategy Bureau of the Government Office, whose functions (according to its statutes) include implementation of the action programme of the Government of the Republic and monitoring the compliance of development plans with the Government's goals.

What was audited by the National Audit Office?

18. Making decisions about the state budget on the basis of (expected) performance has not been regularised in Estonia, but a strategic planning system had been created for the Government of the Republic for the establishment of goals and management of their achievement by 2006, and this system requires the Ministry of Finance and other ministries to use performance information in decision-making.

19. The goal of the audit is to assess whether the Government of the Republic uses the system of development plans for managing the achievement of the goals it has set; whether analysis of performance and impact is used in state budget drafting as well as in drafting and implementing sectoral policies, and to what extent this is being done. Also, does the state's activity report give a reliable and balanced view of the Government's performance in the achievement of goals that are important for the development of society?

20. The National Audit Office analysed the following:

- Do ministries determine the impact their activities have on the goals and indicators set in development and action plans?
- Do ministries use performance information and impact analyses in making decisions in their area of government and justifying their budget applications?
- Does the Ministry of Finance consider performance information in preparing the draft state budget?
- Does the state's activity report describe the results of the Government's activities and have they been taken into consideration in state budget drafting?
- Has the Government of the Republic determined the principles of using performance information in managing the state's development? (See details of the audit approach on page 32.)

21. In order to achieve the objective of the audit, we chose to analyse eight indicators that, according to the ministries, are important for society's development, and that the Government of the Republic wants to influence positively according to its development plans.

22. The following indicators were selected with the approval of the ministries: 1) employment rate, 2) average standard of living by region, 3) relative poverty rate, 4) productivity compared to the average of the EU 27, 5) crime rate, 6) proportion of less educated young people aged

18–24 who are not studying, 7) greenhouse gas emissions and 8) proportion of renewable energy in final consumption.

23. The auditees included the Ministry of Economic Affairs and Communications, the Ministry of Social Affairs, the Ministry of Education and Research, the Ministry of the Interior and the Ministry of the Environment as the main agencies responsible for the achievement of goals. The Ministry of Finance and the Government Office were audited as the manager of the state budget drafting process and the coordinator of the strategic planning system, accordingly.

The state maintains an expensive development plan system, but does not use it significantly in the management of Estonia's development

24. Development plans are supposed to be the tools that help the Riigikogu and the Government of the Republic to manage the establishment of important social goals and their achievement. In order to make targeted choices, it is necessary for the heads of state to assess the results of the activities they have completed in the past, consider this information when making new decisions and plan the activities of areas of government where achieving the goal requires the contribution of several ministries. The state's decisions about the distribution of money between and within ministries should be made on the basis of performance information in order to identify an efficient and effective way of achieving goals.

25. Formally, a system like this has been created in Estonia. A regulation of the Government of the Republic[3] describes the procedure for the preparation and implementation of and reporting on the state's development plans. It also determines how development and action plans and their execution reports must be used in the preparation of the state budget strategy and in state budget drafting. The Riigikogu presumed that the development of the strategic planning system in 2005 created opportunities for using development plans substantively in the management of the state's development. This means that the development plans can be linked to one another and used in planning the state's activities with a reasonable administrative burden and at a reasonable cost.

The development plan system is complex and expensive

26. In order to assess the usability of the development plan system in steering the state's development, the National Audit Office analysed the effective strategic planning system, its connections to budgeting and the valid development documents.

27. The Riigikogu and the Government of the Republic have adopted 64 currently effective development plans to steer the development of Estonia, and there are also the development plans approved by

[3] Regulation 'Types of Strategic Development Plans and the Procedure for Preparation, Updating, Implementation and Assessment of and Reporting on Strategic Development Plans' issued by the Estonian Government on 13 December 2005.

ministers, the detailed implementation plans of the development plans, the plans for using European Union funds and the action programme of the Government of the Republic. However, these more than one hundred development documents do not comprise the entire strategic planning system of Estonia. In order to prepare the four-year budget strategy of the state, ministries must submit the four-year development plans of their areas of government and the annual action plan of the ministries must be developed for state budget drafting (both documents are updated annually).

28. The structure and level of detail of these plans are different, but they contain hundreds of goals that the Riigikogu and the Government of the Republic must consider when making decisions. All of these strategic documents must be in compliance with one another, i.e. ministers have to consider all development plans when submitting budget applications and managing their areas of government (see Figure 2). Regular reports on the implementation of development plans and action plans must also be submitted.

29. Dozens of development plans in various forms and with different legal statuses had been already created by the time the general structure, role and links between development plans were defined. Although the regulation determined the process of development plan preparation as well as the requirements for their content and form, many development plans that did not meet these requirements remained in force.

Figure 2. Documents used in state budget drafting according to the development plan system

Source: National Audit Office

So-called umbrella strategies — plans at the top of the development plan hierarchy which contain goals that call for a contribution from the entire state and which all areas of government must consider in their activities. Umbrella strategies are 'Sustainable Estonia 21', 'National Security Concept' and 'Estonia 2020'.

The Ministry of Education and Research estimates that 15-20% of the payroll of management and relevant departments is spent on maintaining the strategic planning system.

30. The amount of money and working hours of officials spent maintaining the development plan system is not known, but the Ministry of the Environment, for example, estimates that two-thirds of the ministry's officials are involved in this. The Ministry of Education and Research estimated that the costs amount to up to 20% of the payroll of management and relevant departments. Approximately 100 people work in the analysis and planning departments of the ministries. In addition to these, officials of finance and other relevant departments, the Strategy Bureau of the Government Office and an unknown number of people in the Ministry of Finance and the divisions of ministries also deal with development and action plans. All audited ministries drew the National Audit Office's attention to the large administrative burden created by the state's strategic planning system.

31. The state's development system is theoretically logical – the minister considers all valid relevant development documents in the management of its area of government and applying for a budget – but in practice this requires a lot of resources and in the opinion of the National Audit Office is difficult to implement. The multitude, different structures and statuses of development plans makes using them in managing the state's development formally difficult. On the other hand, interviews with the heads of the finance departments of ministries, officials responsible for analysing and planning and heads of the departments responsible for the achievement of goals revealed that there are also substantive problems in the use of development plans, which are discussed in subsequent chapters of the audit report.

The Government of the Republic identifies the immediate results of its activities, but not their impact on the goals set in development plans

32. The focus of the audit was on analysing whether and to what extent ministries identify the impact of their activities on the goals set in development plans. The National Audit Office did not assess the achievement of goals or the level and changes in indicators.

33. The National Audit Office chose the audited indicators and goals on the principle that goals important for social development set by the Government of the Republic would come under review. The selection was approved by ministries that were primarily responsible for the achievement of the goals.

34. As the goal set by the Government of the Republic for itself is to prompt positive changes in social development, the National Audit Office presumed that the connection between the Government's activities and the indicators had been identified. In order to ascertain this, the Government of the Republic asked the auditees to describe the activities they use to influence the development of the indicator, the impact the activities of the ministry have had and the basis of the ministry's estimates. The National Audit Office asked ministries to submit prepared or commissioned analyses and surveys that substantiate these estimates.

35. The majority of the indicators that characterise social development, incl. those selected for the audit, depend on the activities of more than one ministry. Cooperation between areas of government is therefore extremely important in managing the state's development. In order to assess how well this cooperation works, the National Audit Office asked the audited ministries to also describe the activities of the other relevant ministries that have an impact on the indicator, and asked them to estimate the extent of this impact.

36. The responses and interviews given and the materials submitted to the National Audit Office indicated that areas of government identify the immediate results of their primary measures, but the impact on the goals and indicators given in development plans is generally not assessed.

37. Assessing the success of one's activities mainly lies in identifying the immediate results of projects, support and investment objects. For example, the Regional Minister knows the number of people who benefitted from a cultural or tourist site established in a local government, or another similar investment, but the impact the minister's measures had on the income of people living in the region or any other indicators that characterise the situation of regions in the regional development strategy is unknown.

38. The output results of activities are known in other areas of government as well. For example, the Ministry of the Environment points out how much the biogas collection system of landfills has helped reduce methane emissions. At the same time, there is no detailed or broader knowledge of how the activities of the Ministry of the Environment have influenced greenhouse gas emissions. The Ministry of Social Affairs has information about the number of people who have found employment with the salary support paid from active labour market measures, but the comprehensive impact of labour market measures and the activities of the Ministry of Social Affairs on employment is unknown.

39. When the National Audit Office asked about the biggest problems associated with the use of performance information, four of the five ministries said that obtaining this performance information or identifying the impact of their activities was the biggest problem.

> "There is no direct assessment of impact on the basis of a definite and coordinated methodology. Ascertaining primary impact is the biggest problem in association with performance information."
>
> Ministry of the Environment to the National Audit Office

> "At present, we have a system where the output and immediate results of most activities can be measured, and where impact indicators have been established at strategic levels to describe the goals we want to achieve in the long term. However, the stage in the middle is missing. It would make sense to have an intermediate stage where we can measure the accessibility or quality of public services, or their impact on the creation of jobs. The problem is that we are unable to measure this at the moment. We know exactly where the money was spent, but the issue here is finding out whether the place we financed was the right one."
>
> Area of administration of Regional Minister to the National Audit Office

> "The biggest problem in measuring impact is the confluence of different measures/activities, and assessing it."
>
> Ministry of Economic Affairs and Communications to the National Audit Office

> "At present, we are unable to ascertain how much one or another activity improves an indicator in percentage terms."
>
> Ministry of the Interior to the National Audit Office

40. All ministries pointed out that a lack of resources is what is preventing them from identifying the impact of their activities on a broader scale. According to the Ministry of Economic Affairs and Communications, there are basically just two or three people who carry out the most important analyses in all areas of the ministry. The ministry's budget for outsourcing surveys is *ca.* 200,000 euros per year. The Ministry of Education and Research spends *ca.* 100,000 per year for this purpose. According to the Ministry of the Interior, there is only one person who analyses the area of criminal affairs in the ministry.

> "We do know what we should analyse, but we don't have enough resources for that."
>
> Ministry of the Interior to the National Audit Office

41. The National Audit Office is of the opinion that the responses given by the ministries underline that they have little time and money left to analyse the impact of their activities in addition to following the formal requirements of the strategic planning system.

42. Secondly, they are unable to assess the impact of their activities because there is no reliable methodology for this. Many ministries told the National Audit Office that development plans and the goals set therein cannot be the management documents of areas of government, because no reliable connections can be created between the activities of ministries and the changes in indicators.

> "The biggest problem related to impact assessment and use of performance information is the lack of a measurable connection between activities and impact that arises from the nature of the public sector."
>
> Ministry of Economic Affairs and Communications to the National Audit Office

> "The direct impact of the implemented support measures and projects on the standard of living in the region is difficult to assess in light of the aforementioned circumstances, because the connections between the supported projects and the income of households are not immediate."
>
> Area of administration of Regional Minister to the National Audit Office

43. The National Audit Office is of the opinion that the area of homeland security in the Ministry of the Interior and the Ministry of Social Affairs try to ascertain the link between their activities and results more than ministries on average. The Ministry of Education and Research is developing an impact assessment model. Impact is also better known in areas where submission of data is required by international organisations, statistical data is collected at the domestic or international level or the area is an academically attractive subject of research (e.g. the area of social affairs).

The Government of the Republic has not supported the cooperation of ministries for the achievement of development goals adequately

44. As areas of government have difficulty linking their activities and development plans, the planning activities with other ministries in order to achieve confluence is also difficult and abstract for them. All of the audited ministries told the National Audit Office that cooperation with other ministries needs improvement. The shortage of resources and/or limited reliable knowledge of how to influence major goals means, above all, that ministries have tried to use their own measures in the best possible way.

45. In their answers to the National Audit Office's questionnaire, all ministries mentioned the measures of other areas of government that obviously influence indicators in their main areas of government, but were unable to describe this impact in greater detail. Greenhouse gas emissions and the relative poverty rate were the only two of the eight indicators whereby an indirect estimate of the extent of impact was given. As for the other indicators, the respondents said that the impact of other ministries is not assessed or that the relevant ministries must be contacted in order to obtain information about impact.

> "We proceed from the measures taken in our own area of government, and cooperation with other ministries could be better."
>
> Ministry of Social Affairs to the National Audit Office

> "Many measures that influence greenhouse gases are taken outside the area of government of the Ministry of the Environment. The problem is that the Ministry of the Environment, the Ministry of Economic Affairs and Communications and the Ministry of Agriculture do not coordinate their activities sufficiently. The most important thing for the Ministry of Economic Affairs and Communications is (the security of) energy supply. No separate contribution is made in the reduction of greenhouse gases in addition of this. The same also applies to other ministries. Reduction of greenhouse gases is a benefit associated with other activities, not a goal in itself. It is more of a side-effect than a directed and targeted activity."
>
> Ministry of the Environment to the National Audit Office

46. When assessing the situation in nationwide planning, an official of the Ministry of Social Affairs pointed out that the focus is currently on everyone's own area of government and nobody deals with topics that have an impact on the areas of others and on performance nationwide. According to the ministry, cooperation is also difficult due to strong barriers between agencies and staff turnover. The official was of the opinion that the situation could be improved by assigning one organisation or ministry the obligation to be responsible for a whole-of-government view and coordination.

47. According to statutes, these functions have been assigned to the Ministry of Finance and the Government Office. The task of the Strategy Bureau of the Government Office is to support planning the work of the Government of the Republic, coordinate the action programme of the Government of the Republic, increase the state's competitiveness and prepare and carry out the strategic development plans for sustainable development. This is why the action programme of the Government of the Republic and the competitiveness strategy 'Estonia 2020', which cover all ministries, were prepared under the coordination of the Government Office.

48. In its responses to the National Audit Office's questionnaire, the Ministry of Finance confirmed that improving the quality of policy planning and implementation and making sure that the state budget is used efficiently, transparently and sustainably are its tasks.

The Government of the Republic action programme and competitiveness strategy 'Estonia 2020' have not been used enough

49. However, the opinions of the audited ministries suggest that during the preparation of the strategy document 'Estonia 2020' and the state budget strategy, the focus of the Ministry of Finance and the Government Office was mainly on guaranteeing coordination of activities on paper rather than on the substantive coordination of the activities of ministries for the achievement of development goals. For example, the Ministry of the Environment says that the greenhouse gas emissions indicator is included in the national development plan 'Estonia 2020', but the ministry is of the opinion that the development of the indicator has still not been comprehensively managed. The problem is cooperation with other ministries, and discussions on how to make this cooperation work are ongoing. The ministry also finds that 'Estonia 2020' is too generic to be used for guidance in their work.

50. The Ministry of Social Affairs also highlights that overarching cooperation has to be improved:

> State agencies must cooperate with each other, because achieving the target level in many activities is associated with the contribution of several state agencies (e.g. topics that concern public health and unemployment). This in turn refers to the need to increase the importance of process management in the public sector.
>
> Ministry of Social Affairs to the National Audit Office

Co-planning the activities of ministries and attempts to find synergy mainly occur on paper

51. In addition to development plans that cover several ministries, the preparation of the state budget strategy is another possible place for broader coordination, but ministries feel that it has become mechanical and superficial. For example, the Ministry of Education and Research feels that the state budget strategy cannot be a plan of quality content until the text of the budget strategy is prepared by the Ministry of Finance and then sent to the other ministries for review. It should actually be the other way round. The problem in the opinion of the Ministry of Social Affairs is that the Ministry of Finance checks that the wording of different strategy documents is in compliance, but does not consider whether the amount to be allocated to the ministry actually covers the activities required for the achievement of goals.

52. One of the most up-to-date and specific tools of the Government of the Republic in the management of the state's development is the Action Programme of the Government of the Republic. The action programme is one of the documents that ministries have to consider in the management of their areas of government and in applying for a budget. In the course of the audit, the National Audit Office asked the ministries how they use the action programme in the management of the area of government and what role the programme has played in state budget drafting.

53. The areas of government found that theoretically, an activity getting a mention in the development plan 'Estonia 2020' or in the Action Programme of the Government of the Republic should guarantee attention and financing for the given activity, but this rarely happens in practice. All of the five ministries found that no additional funds have been directly granted to areas of government for the activities mentioned in the action programme, but two ministries said that a couple of agreements had been entered into.

54. At the meeting with the Ministry of Finance, the National Audit Office wanted to know whether the ministry had calculated the cost of the Action Programme of the Government of the Republic, and asked the ministry to share this with the National Audit Office. The ministry claimed that costs had been calculated, but had none to show to the National Audit Office.

The Action Programme of the Government of the Republic is carried out as and when money is found

55. As the Ministry of Finance later confirmed, the Action Programme of the Government of the Republic is carried out according to possibilities within the limit of the areas of government. The audited ministries shared this opinion.

56. Ministries also felt that interpreting the content of the action programme was difficult for them:

> "During the preparation of the action programme, we had to give estimates of the cost of each activity, but we have no idea what was done with this information afterwards. In many cases, it was also difficult to understand what activities the Government referred to when using different names."
>
> Ministry of the Environment to the National Audit Office

57. The National Audit Office is therefore of the opinion that the Action Programme of the Government of the Republic is not the horisontal plan used to manage the achievement of the state's goals. The Action Programme of the Government of the Republic was prepared on the principle that no extra money would be allocated for its implementation. Carrying out the action programme and selecting the activities that will be carried out has largely been left to the ministries, and they are completed when money is found.

Development plans are too abstract for managing areas of government, but it is not guaranteed that work plans have been subjected to the goals of development plans

58. As the role of development plans has been formally established in state governance, the National Audit Office assumed that the connections of the strategic planning system were functioning in practice. This means that the Government of the Republic ensures cooperation between ministries via the preparation of development plans and the state budget strategy. Ministries in turn proceed from the relevant plans of their own as well as of other areas in the preparation of the development plans of their areas of government and make sure that the action plan and work plan of the area of government lead to the achievement of goals. The system of development plans also requires consideration of past performance in planning new activities.

59. The National Audit Office interviewed ministries in writing and verbally and reviewed the descriptions of their work processes in order to analyse the internal management systems of areas of government. Materials that characterise the manner in which decisions are made and information used in decision-making were also analysed. The main focus was on the preparation of the area of government's development plan, action plan and work plan and tying these together. Heads of the finance and other relevant departments of ministries were also interviewed in order to understand how choices that concern the state budget are made within ministries and in negotiations with the Ministry of Finance.

60. As described in previous chapters, areas of government have identified the immediate results of their primary measures, but assessing the impact of their activities on the goals set in development plans has been impossible for ministries due to the lack of either resources or a reliable methodology. This is why the development plans and action plans of areas of government and action plan execution reports have been regarded by ministries as documents that are too abstract to be used in their activities.

61. For example, the Ministry of the Environment has highlighted that the secretary general and deputy secretary general have a clear vision of major indicators, but the development plan of the area of government in its present format is not a document that works for the ministry. The ministry says that its management has had many discussions on what the development plan should be like in order to be internally useful. At present, the main reason a development plan is prepared is that the Minister of Finance demands this for the preparation of the state budget strategy.

The area of government is managed on the basis of the work plan, the execution of which is carefully monitored by officials and management

62. The response given by the ministries indicates that areas of government are managed on the basis of work plans. All five ministries prepare their internal budgets on the basis of work plans. Execution of work plans is monitored by officials and the ministry's management very carefully. They have created forms and control systems for monitoring work plans, and management also discusses the execution of work plans regularly.

63. On the one hand, it makes sense that ministries are managed on the basis of operative work plans determined on the level of single activities. Activities are also classified under development plan goals on the work plan form. On the other hand, as the impact of activities on the achievement of goals has largely not been clarified, there is no reassurance that a work plan actually helps achieve the goals of development plans or does so in the best possible manner.

64. The National Audit Office found no references in the submitted materials to how the changes in development plan indicators are considered in the preparation of work plans or budget drafting. When the National Audit Office sought to determine whether an action plan execution report forms input in the preparation of a new work plan, the Ministry of Economic Affairs and Communications, for example, said that this is the case in theory, but not in practice. Ministries do prepare action plan execution reports, but in its present form it is mainly regarded as a useless administrative burden. Three of the five ministries felt that the only reason an action plan execution report is prepared is because this is demanded by the Ministry of Finance. The materials submitted to the National Audit Office also do not indicate that the managements of ministries actually discuss or monitor the execution of action plans.

The internal audits of ministries do not monitor the achievement of performance goals systematically

65. The State Assets Act stipulates that the administrator of state assets must administer state assets purposefully, expediently, sustainably and prudently. The internal audit units of ministries, whose goals are the identification of the risks that threaten the achievement of an area of government's goals and/or to give opinion of systems for guaranteeing efficient use of money in ministries, should contribute to this.

66. For example, the statutes of the internal audit departments of the Ministry of Social Affairs, the Ministry of the Environment and the Ministry of Economic Affairs and Communications state that, among others, the tasks of internal audits include giving independent opinions on the lawfulness, expediency, sustainability, efficiency and effectiveness of the activities of the agencies belonging to the ministry's area of government. Another task of the departments is to analyse and assess the compliance of activities with established goals.

67. According to the internal audit statutes of the Ministry of Education and Research, the goal of the department is to increase the reassurance of the ministry's management that the management and control measures applied in the ministry, the government agencies in its area of government and the state agencies administered by the ministry are aimed at achieving the goals set for the agencies. The task of the internal audit unit in the Ministry of the Interior is to guarantee the availability of timely and objective information about deviations from established requirements and about the lawfulness, sustainability and efficiency of the use of resources. The department also analyses and assesses the compliance of activities with established goals.

68. The National Audit Office assumed that a system for monitoring the achievement of goals, which informs the ministry's management of the impact of its decisions, had been created with the assistance of the internal audit departments of ministries. In order to ascertain this, the National Audit Office interviewed the heads of the internal audit departments of ministries as well as the heads of the departments that are responsible for the achievement of goals.

69. The responses given to the National Audit Office indicate that the heads of the departments that are responsible for the achievement of goals do not have any contact with internal audits when it comes to the aspect of monitoring the achievement of goals. Officials are of the opinion that the attention of internal audits is mainly turned to single projects or the expedient and lawful use of money. The only exception is the homeland security area of the Ministry of the Interior, where the officials in charge found that internal audits have helped them from the viewpoint of performance.

70. The National Audit Office did not ascertain systematic monitoring of the achievement of goals by internal audits or internal control systems which would monitor the achievement of goals and draw the attention of the management or responsible departments to deviations in any of the five ministries. The interviewed heads of internal audit departments also said that internal audits mainly focus on auditing the lawfulness and expediency of the use of funds, as they do not have enough money, time or people to monitor performance.

Budgets in ministries are prepared on the basis of single activities, not performance

71. As the state's system of development plans and the links to budgeting have been determined, the National Audit Office assumed that performance information would be used for budgetary choices both in making internal budgetary decisions as well as in negotiations with the Ministry of Finance in the preparation of the draft state budget. In order to ascertain this the National Audit Office analysed the ministries' internal budget drafting process, documents, applications and reasons for applications and minutes of meetings.

72. As a result of the analysis, the National Audit Office found that ministries make their internal budgetary choices on the basis of work plans, which means that decisions are made at the level of single activities. The National Audit Office did find references in the budgetary materials and management minutes submitted by ministries that one or another activity that needs financing arises from the action plan, but changes in indicators were not used to justify the need for funds. This is understandable, as the links between their activities and impact goals and indicators are obscure and generally not identified.

73. Although ministries have identified the output results of their main activities, the materials submitted to the National Audit Office indicate that indicators of this level are not extensively used in the budgetary process either. The homeland security area of the Ministry of the Interior is the only exception, where the National Audit Office ascertained the use of expected output results in budget drafting at the level of the minister.

74. In general, internal budgeting takes place within areas of government using the given limits (similar to between areas of government, see clause 92). Three of the five ministries distribute limits to agencies and/or areas on the basis of the previous year's budget before launching internal budget negotiations. No limits are given to divisions and departments in the other two ministries when budget applications are prepared, but officials say that the budgetary proportions of areas and/or agencies have become set and change little in the internal process.

75. One of the reasons why the division of budgets seems to be set in stone is the high proportion of fixed costs in the state budget. When the costs pre-determined by laws and other obligations and external support are left aside, the money that is operatively distributed between priorities amounts to *ca.* 25% of the state budget. In the opinion of ministries, money can be redistributed in this situation either due to international obligations or changes in the administrative division of tasks, but not in reference to the abstract goals and indicators given in development plans.

76. This is obviously why the relatively limited performance information that ministries have at their disposal and use in internal budgeting makes it into the budget application submitted to the Ministry of Finance in even smaller quantities.

Area of government memo – the memo prepared in the Ministry of Finance for budgetary negotiations between the Ministry of Finance and another ministry, which describes the positions of both parties on additional applications and other issues.

77. The National Audit Office reviewed the 2011 state budget drafting applications of the Ministry of Economic Affairs and Communications, the Ministry of the Environment, the Ministry of Education and Research and the Ministry of Social Affairs as well as the area of government memos which give the reasons for the additional applications of both parties and which are prepared for negotiations within the Ministry of Finance. The additional application of said five ministries amounted to almost 3.5 billion kroons, but the National Audit Office found performance information or references to development plans in the reasons given for just two cost units in the area of government memos.

Ministries do not use the need to achieve goals as a reason in negotiations with the Ministry of Finance

78. The memos prepared by the Ministry of Finance and the minutes of budgetary negotiations indicate that neither the Ministry of Finance nor the other ministry that takes part in the negotiations use performance information to justify their positions on issues that are important for the development of society. Below are some examples of the reasoning used with regard to the areas of social protection and education in negotiations. The examples concern choices that have a direct impact on the achievement of goals in the areas of social protection and education, yet the results of obtaining or not obtaining the extra funds are not discussed.

> "Additional application of the Ministry of Education and Research: education expenditure must increase at least at the same speed as state budget expenditure. This has been the case in previous years, but the deficit from 2008-2011 is 489 million kroons."

> "Position of the Ministry of Finance: We must bear in mind that in addition to the state budget, the area of

> education is also financed from the revenue earned from sales of CO_2 quotas in the amount of 490 million kroons, which means that the deficit that has emerged in the three years will be covered.“
>
> Source: Memo of the 2011 state budget negotiations between the Ministry of Finance and the Ministry of Education and Research

> “Additional application of the Ministry of Social Affairs: We need additional funds in the amount of 64 million kroons to increase subsistence benefit by 200 kroons to 1,200 kroons.”
>
> “Position of the Ministry of Finance: Taking additional obligations for the state is only possible on the account of the funds released with other policy amendments.”
>
> Source: Memo of the 2011 state budget negotiations between the Ministry of Finance and the Ministry of Social Affairs

79. One of the reasons why ministries use so little performance information in their budget applications is the aforementioned circumstance, i.e. ministries don’t actually have much data about their activities and the achievement of their goals. On the other hand they believe that using performance information would also be too abstract for the Ministry of Finance, and development plans, goals and changes in indicators would not be usable in negotiations.

> “If we tried to tell the Ministry of Finance in budget negotiations that specific activities and monetary contributions would influence the achievement of indicators, the ministry would not believe this, because the connection remains too abstract in the case of major indicators, which means that making budget decisions on the basis of this would be impossible.”
>
> Ministry of Economic Affairs and Communications to the National Audit Office

80. Speaking about arguments that have an impact on budget negotiations, the Ministry of the Environment said that a requirement arising from a directive or a possible penalty has more effect than performance information. On the other hand the National Audit Office finds that legitimised expenses and changing these is also a question of priorities, but this activity must be based on analysis. Reconsidering priorities and finding reasons for maintaining an expensive development plan is difficult in a system where the budget is distributed mathematically both between ministries (see also clause 92) and within ministries.

Development plans and performance information play no role in state budget drafting

81. The Ministry of Finance confirmed that the state budget strategy and the state budget are prepared on the basis of the development plan for the following four years, the action plan for the following year and the report on the execution of the action plan for the previous period. The action plan execution report must explain whether the goals set in the action plan were achieved, and the ministry must also give reasons if goals were not achieved.

82. The development plan and action plan of an area of government must explain the goals the ministry sets for the coming years, what it has to do to achieve these goals and how much money it needs for this. At the same time the ministry must guarantee the compliance of the development and action plans with all of the sectoral development plans concerning the area of government, the Action Programme of the Government of the Republic, the plans that regulate the use of EU funds and other strategy documents. The Ministry of Finance says that budgetary priorities are set and financing decisions are made on the basis of development plans, action plans and action plan execution reports.

83. In the previous chapter of the report the National Audit Office analysed the internal budget drafting process of ministries and came to the conclusion that performance information is used little in decision making, and even less of this is offered to the Ministry of Finance.

The Ministry of Finance analyses the compliance of development plans with the formal requirements of strategic planning, but does not use them in state budget drafting

84. On the other hand, the Ministry of Finance has confirmed to the National Audit Office that the ministry does analyse the budgetary and economic impact of the area of government development plans, action plans and action plan execution reports submitted to it by the other ministries in the budget process, and considers them in state budget drafting. The National Audit Office asked the Ministry of Finance to submit said forms of analysis and the analyses themselves.

85. In order to assess the extent to which the Ministry of Finance uses the results of analyses in developing its positions in negotiations with ministries, the National Audit Office also reviewed all of the memos of the audited areas of government, negotiation agendas and minutes that were prepared in the Ministry of Finance. The National Audit Office assessed the 2011 budget drafting process.

Action plan execution report in the budget process

86. The National Audit Office ascertained that a form for analysing action plan execution reports has been created in the Ministry of Finance, but the questions are aimed at assessing whether a ministry has submitted the action plan execution report according to the form prescribed by the Ministry of Finance. According to the form, the analyst of the Ministry of Finance should also answer the question about suggestions they would make for the next period on the basis of the analysis, but analysts have given their answers to this question. In the five area of government memos the National Audit Office reviewed, it found no reference to the Ministry of Finance having considered the action plan execution reports or their analyses in developing its positions.

Area of government development plan in the budget process

87. The National Audit Office ascertained that the Ministry of Finance also analyses area of government development plans, but similar to the action plan execution reports, the objective of the analyses to ensure that the development plan complies with the requirements set out in the strategic planning regulation. Feedback is given to the ministries on the basis of the analyses, and suggestions are made on how to improve the quality of strategic planning of the development plans (phrasing of goals, suitability of indicators, etc.).

88. When it comes to area of government development plans, analysts also have the option to make proposals for developing the position of the Ministry of Finance in the budget process, but in the five reviewed area of government memos the National Audit Office did not find any references to an area of government development plan or analysis having been used.

Area of government action plan in the budget process

89. The state budget strategy and the state budget are drafted in the Ministry of Finance on the basis of the work procedure established by the secretary general. The agenda and minutes forms of state budget negotiations and the area of government memo form for developing the proposals of the Ministry of Finance were also developed as annexes to the schedules and action plans of the 2011 state budget drafting. The area of government memo form stated that area of government action plans must be dealt with and assessed in the following aspects:

> "Including the authenticity of data and compliance with established requirements, the methodological level of the development plan's content (requirements and practices of strategic planning), the necessity of goals-measures-actions (incl. political connection with sectoral development plans, need for interference and mutual connections), alternatives to goals-measures-actions, positive/negative side effects, the mutual coordination of sectoral development plans and analysis of the risks of development plan implementation."
>
> Schedule and action plan of 2011 state budget drafting, annex 4

90. The wording of the guideline indicates that alternative ways of achieving goals as well as possible positive and negative impact should have been considered in the area of government memo forming the basis for negotiations. The National Audit Office is of the opinion that this refers to a desire to use performance information in making financing decisions. For reasons unknown to the National Audit Office, this item was not mentioned in area of government memos and the action plans of ministries were not discussed in state budget negotiations. Moreover, the analyses of action plans were not submitted to the National Audit Office. The five areas of government memos reviewed by the National Audit Office did not reveal that the Ministry of Finance had taken an action plan or its analyses into consideration when developing its positions.

91. This means that the Ministry of Finance has set itself the task of advising ministries about the formal requirements of strategic planning of development plans, and it has achieved some success in this. However, the Ministry of Finance has not wanted or managed to achieve the goal that arises from the statutes and is considerably more important, i.e. to manage state budget drafting based on performance and analyses.

The goal of state budget negotiations is to maintain mathematically calculated limits

92. The limits of areas of government are calculated in the budget process using a mathematical formula[4] on the basis of the previous year's budget, and its size does not depend on the goals set in development or action plans. State budget drafting materials indicate that the goal of state budget negotiations is not to consider financing applications on the basis of performance information, but to maintain limits. The memos and negotiation agendas prepared by the Ministry of Finance as well as the budget correspondence with ministries that was made available to the National Audit Office indicate that negotiations often focus on postponing expenditure or increasing revenue.

> "As it is necessary to find a source of funds to cover social expenditure, the Ministry of Finance suggests selling land for 340 million kroons, i.e. to increase sales by 100 million kroons compared to the application, which may prove to be impossible in the opinion of the Ministry of the Environment."
>
> Position of the Ministry of Finance in negotiations with the Ministry of the Environment in 2011 state budget drafting

93. Four of the five audited ministries found that there are no substantive budget negotiations and the role of development and action plans in deciding on the distribution of money remains unclear. For example, the Ministry of Education and Research highlighted the problem that "the methodology or reasons for selecting the factors that are considered in budget negotiations are not explained". The other ministries also felt that increasing the use of performance information in state budget drafting is important.

94. However, it is a 'chicken-and-egg' problem. On the one hand, areas of government do not have extensive and reliable information about the impact of their activities which they could use in budget negotiations. On the other hand, impact assessment is expensive and complex, which means that it has not been a priority for ministers in conditions where they have to save money and where the budget of the area of government does not depend on performance information. The Ministry of Finance came to the same conclusion in the Concept for Development of Public Financial Management prepared in 2007 (see clause 103 onwards).

Only successes are recognised in the state's activity report and problems are not mentioned

95. The first chapter of this audit report highlighted that the Government of the Republic approves an action plan for all areas of government in order to steer the state's development and use state budget funds. The plan states the goals for which the ministry has to use the money (e.g. increased security of people), the results it has to achieve homicide rate), and the important action that needs to be taken for this purpose (e.g. patrolling). For example, the Government of the

[4] Limit of area of government = previous year's budget – expiring actions +/– expenditure depending on revenue according to new economic forecast +/– new forecast of expenditure related to foreign support and co-financing. Source: Annex 1 to Ministry of Finance Directive of 2 June 2012.

Republic approved 69 goals for constitutional state agencies and areas of government for 2012 and 232 indicators for the assessment of their achievement in its order of 22 December 2011.

96. As the Government of the Republic stipulates with its order the goals that areas of government have to achieve during the year and how they have to do this, ministries and constitutional agencies also have to report on how well they managed to execute their action plans. Every spring, areas of government and administration submit action plan execution reports to the Ministry of Finance in which they have to highlight expected performance and what they actually achieved. Reasons must be given if goals were not achieved and indicators did not change as planned. If any important actions were not completed, these must also be highlighted with explanations.

97. The Ministry of Finance collates the action plan execution reports of ministries in the state's activity report and submits it to the Riigikogu for review and approval as part of the state's consolidated annual report. The state's activity report is the only document that gives a comprehensive description of the Government's performance. This means that the state's activity report has two functions: 1) to give the Riigikogu information for making decisions; and 2) to give the general public and the Riigikogu information on how well the Government of the Republic has done its work.

98. The National Audit Office compared the 2010 action plan execution reports submitted by the five ministries to the Ministry of Finance and the 2010 activity report of the state to determine whether the state's activity report contains a balanced description of the Government's successes and unsolved problems.

The taxpayer receives no information on what the Government has given in return for using the state budget funds

99. The audit revealed that the Ministry of Finance only selects the state's successes for the activity report and says nothing about goals that were not achieved and actions that were not completed, although the ministries did mention them in their reports.

100. The five audited areas of government highlighted 68 goals and important actions which were not achieved or implemented in their 2010 action plan execution reports, but only two of them were mentioned in the state's activity report. For example, the Ministry of Social Affairs has highlighted its concerns about the long-term unemployed in its report, which they say also has an impact on poverty indicators. The Ministry of Education and Research speaks about problems in research and development activities and the shortage of young teachers and researchers. The Ministry of the Environment reports that waste recycling goals were not achieved.

According to the activity report, the state did not struggle to achieve its goals in 2009 either

101. These problems are not mentioned in the state's activity report. Although the Government of the Republic has set itself goals in the activity report that are important for the development of society, such as increasing the competitiveness of the economy, reducing unemployment, etc., the state's activity report gives the general public no information on how well the state has performed in its work. It is worth mentioning that the 2009 activity report of the state – which describes the period of recession when the state had to cut its costs – contains no mention of any problems regarding the five audited ministries. The internal guidelines of the Ministry of Finance for the preparation of the state's activity report and for selecting information for the report says that the activity report should contain information on issues that are important at the level of the state. This suggests that highlighting goals which were not achieved and analysing the reasons why they were not achieved is not considered the kind of information that the taxpayers or the Riigikogu need to know.

> "This part should focus on matters that are important at the level of the state."
>
> Internal Guidelines of Ministry of Finance for Preparation of State's Activity Report

102. The state's activity report is presented to the Riigikogu in autumn while the parliament is working on the budget for the next year. Activity reports should therefore provide valuable information about the past use of funds for the preparation of a new state budget proposal for the Government of the Republic as well as for the Riigikogu to form their position. Approving activity reports that only contain successes and superficial reasoning has deprived the Riigikogu of the option to use the report in processing the new state budget.

The Riigikogu and Government of the Republic should make a clear decision about the kind of (performance) information they need to manage development goals

103. The Ministry of Finance has already acknowledged the problems identified in this report in the "Concept for Development of Public Financial Management" of 2007.

> "The goal of public financial management is to guarantee that the state's resources are used efficiently and effectively. Regardless of the successes achieved so far, the financial management system is not working in a manner that guarantees the achievement of the above-mentioned goal."

The Ministry of Finance has been aware of these problems for five years

104. The Ministry of Finance feels that one of the problems is the fact that past actions find little consideration in planning new ones, reports do not give an overview of the efficiency of using public resources, ministries do not understand the importance of performance information (as budgetary decisions are made on other bases) and the results of internal audits are not sufficiently used in the management of the public sector.

105. The main solution in the opinion of the Ministry of Finance would be a shift to performance budgeting. Instead of receiving funds for investments, operating expenses, provisions and other expenditures, areas of government would be allocated funds for the achievement of goals and implementation of measures by different fields and programmes. This allocation of finances would be specified in the annual State Budget Act.

106. In the audit report "Activities of the Ministry of Finance in Developing Budgeting Principles", which was completed in 2008, the National Audit Office Found that the readiness of ministries (incl. the

Ministry of Finance) to transfer to performance-based budgeting is small. The National Audit Office stated that in addition to other premises, it is necessary to ascertain before the transition to performance budgeting that ministries are actually able to identify the impact of their activities in a changing external environment. It is also necessary to assess where performance budgeting can be used and to what extent this can be done. Otherwise, performance budgeting may lead to poorer and less effective budget decisions than those made under the present system.

107. This audit of the National Audit Office revealed that the issues and risks raised with regard to performance budgeting are still relevant. The five audited ministries are mostly in favour of tightening the links between performance and money (which may not necessarily mean using performance-based budgeting), but add that neither they nor the Ministry of Finance currently have the capacity required to decide on the distribution of money on the basis of (expected) performance.

108. We also have to keep asking how much and where giving more consideration to performance when making financing decisions would be possible and reasonable. The expectations of the heads of departments responsible for the achievement of goals regarding the performance information system and their opinions of its usability are different. Among those who responded to the National Audit Office, there were officials who thought that there is no point in investing more time and money into a more detailed impact assessment, at least not in their areas of activity. However, there were also officials who believed that more thorough impact assessment is necessary and could be done with more support from the Government.

109. The general opinion of ministries was that performance information should be used more in decision-making. For example, the Ministry of Social Affairs and the Ministry of Education and Research both feel that there is significant room for improvement in impact assessment and linking results to the area of government and the strategic decisions made in state governance, but this does not mean that we should stop trying to assess impact. All of the audited ministries shared the position that the collection and analysis of performance information cannot be a task in its own right, but must be integrated into existing processes and activities as broadly as possible.

The internal auditors of the Ministry of Finance feel that the ministry's activity in the development of public financial management does not have clear goals, as the Government has not issued any guidelines

110. The Ministry of Finance introduced its reform plans to the Cabinet in January 2008, but ministers did not approve the proposals for developing financial management. The National Audit Office is of the opinion that the activities of the Ministry of Finance in the development of financial management have been aimless and poorly organised, as the Government has failed to give clear directions on whether and how the development plan system and budgeting should be developed further. The Internal Audit Department of the Ministry of Finance came to the same conclusion in its 2012 audit "Activity of Ministry of Finance in Developing Financial Management of State".

111. The report acknowledges the Ministry of Finance for analysing the problems that are evident in the state's strategic planning and for creating networks in which they can be discussed, but the general opinion is that the goal of development activities is not clear for ministries (incl. the Ministry of Finance) and they are therefore not motivated to have a say about the development plan and budgeting system. For example, the report highlights that the recommendation made by the National Audit Office in 2008 – to test performance budgeting in some agencies to highlight the pros and cons of the reform – has been formally carried out with the support of voluntary state agencies, but practical participation has remained passive. The report also states that the ministry has commissioned several studies for the development of financial management, carried out training courses and started planning information systems, but as the final objective of the developments is unknown, assessing these activities rationally is difficult. The National Audit Office agrees with the conclusions made by the internal audit.

112. One plan of the Ministry of Finance for supporting the cooperation of ministries in planning the state's development and using performance information is to harmonise the development plan system formally. This year the Ministry of Finance introduced the new content requirements planned for sectoral development plans, which change the structure of the development plans, to other ministries. However, the question asked by the National Audit Office and also other ministries – whether, when and how this will change the budget drafting process – remains unanswered.

The initiative to streamline the development plan system was right, but it is not adequate to improve the quality of state governance

113. The National Audit Office is of the opinion that the initiative of the Ministry of Finance and the Government Office to streamline the development plan system is welcome, but not enough to ensure that performance information will be used for the management of development goals. In the present case, the Government of the Republic has not supported impact assessment sufficiently through the distribution of funds or the development plan process, which is why the collection and use of performance information depend solely on the initiative and interest of the departments responsible for goals and their officials.

114. The National Audit Office finds that the Riigikogu and Government of the Republic should give clear guidelines about the kind of (performance) information they need for managing the state's development goals. This means deciding whether the goal should be to assess the impact of the state's activities on a broader scale and use the results in making management decisions or to reduce the administrative burden and expenses of maintaining the strategic planning system. This means that it is necessary to identify the extent to which connecting impact assessment with state governance would be reasonable, as well as the opinions and readiness of ministries.

115. The National Audit Office is of the opinion that before decisions are made on the developments of budgeting and strategic planning, it is necessary to ascertain the official opinion of all areas of government, prepare proposals for the Government of the Republic and the Riigikogu and obtain clear guidelines for further action. This includes clear determination of the role of the Government Office and the Ministry of Finance in the implementation and support of the developments.

116. Responsibility for the use of taxpayers' money and clarity about the results that were achieved with state budget funds should be maintained regardless of how planning is organised. In order to underline the importance of activity reports, the National Audit Office suggests that the secretary general of each ministry introduce the activity report of its area of government to the Riigikogu and the general public.

117. In order to identify the (performance) information needed by the Riigikogu and the Government of the Republic for the management of development goals, the **National Audit Office recommends the following action plan to the Minister of Finance:**

- In the fourth quarter of 2012, request the official opinion and suggestions of all areas of government and the Government Office about the principles of using performance information: whether, how much, where and on which conditions impact assessment and use of results are reasonable and possible in the management of areas of government. Also, request opinions on the requirements and streamlining of the state's strategic planning system.

- Using the opinions as a basis, create the position and proposals of the Ministry of Finance on the development of budgeting and strategic planning; introduce and discuss the proposals with the secretaries general of the ministries.

- Introduce the proposals of the Ministry of Finance and results of the discussions with secretaries general to all fractions of the Riigikogu, and ask them for their opinion on the development of strategic planning and budgeting.

- The Ministry of Finance should introduce the proposals and results of discussions to the Government of the Republic and ask the Government to present its clear position on the development of budgeting and strategic planning no later than in the third quarter of 2013.

- Following the decision of the Government of the Republic and the Riigikogu, a schedule and action plan should immediately be prepared for implementation of the improvements. Also, the role of the Ministry of Finance and the Government Office in the implementation process should be clearly defined. The Government of the Republic should be reported on the execution of the action plan.

- If the goal will be to increase the use of impact assessment and reporting in making management decisions, it will also be necessary to agree on impact assessment principles (extent, priorities, level, financing and mechanisms for checking the reliability of data), increase impact assessment capacity, ascertain the best current practices and clearly determine where strategic plans are to be used in state budget drafting and making management decisions in areas of government.

- If broadening the use of the output results of the activities of ministries (immediate performance of specific support, projects or main measures) in making management decisions is selected as the goal, it will be necessary to agree on the principles for collecting output results and guaranteeing the reliability of data, and to determine clear places where the output will be used in state budget drafting and in making management decisions in areas of government.

- The National Audit Office is of the opinion that reducing the administrative burden of ministries should be set as the goal of streamlining the strategic planning system in other cases.

Response of the Minister of Finance: Our schedule for implementation of the recommendations made by the National Audit Office is faster than you offered in clause 117 of the draft audit report. We rely on the development work carried out in the Ministry of Finance in recent years. Many development plans will be changed within a year as a result of the planning of the European Union's financial perspective for 2014-2020. We want to avoid a situation where proposals for the development of budgeting and strategic management come immediately after major changes in development plans. Making changes to a system is more economical at a time when a number of strategies are open. For this purpose, we want to use the experience gained from pilot projects and the positions and improvement proposals developed in the workgroups of financial and development managers in the best possible manner.

After the discussion of the "Concept for Development of Public Financial Management" in the Cabinet in January 2008, the Ministry of Finance started developing a more systematic framework for the possible implementation of performance management. Within this framework, the Ministry of Finance and its consultant (Geomedia/RAKE) contacted all ministries and constitutional institutions and asked for their proposals about the organisation of the state's strategic management. Networks (financial managers and development managers) and a workgroup (development team), which included representatives of ministries, constitutional institutions and universities, were created during the development of a performance management framework suitable for the state.

A special seminar attended by secretaries general and the State Secretary was held in December 2009. It included workshops in which the participants discussed performance management solutions suitable for the state.

In cooperation with ministries, constitutional institutions and foreign experts (Praxis, Ernst & Young, PriceWaterhouseCoopers and the ministries of finance of Australia and the state of Hessen), the Ministry of Finance developed proposals about the development of strategic management and financial management and submitted them to the OECD for an opinion when the state governance report was prepared. Workgroups of secretaries general were formed thereafter on the initiative of the Government Office for the gradual implementation of the developments described in the report. We have discussed all of the proposals submitted to us in the workgroup of development managers and financial managers, the workgroup of secretaries general that plans the EU financial perspective for 2014-2020 and others.

Results of the workgroups of secretaries general are being gradually introduced to the Riigikogu according to the prepared proposals. For example, the Ministry of Finance introduced the public financial management plans to the Budget Control Committee after a Cabinet session and to the Finance Committee in May and June 2012.

Proceeding from the priority of the topics and the state's capacity, the Government Office and the Ministry of Finance introduced the results of the workgroups of secretaries general in the Cabinet on 13 October 2011, where the Government approved the 'Action Plan for Implementation of Report'. Earlier, the Government had approved the activities associated with strategic planning and financial management developments (sub-clauses a) and d) of clause 9) 'Making Public Administration Simpler and More Efficient') and their deadlines in its action programme. In June 2012 the Ministry of Finance also introduced the starting points for drafting the new state budget act and the strategic management development plans to the Cabinet proceeding from the Action Programme of the Government.

The purpose of the proposals developed by the Ministry of Finance was to ensure a more efficient use of taxpayers' money and that the goals set by the state are achieved. The Ministry of Finance considers it necessary to increase the volume of substantive work on account of the time spent on technical work in strategic management. The amount of technical work can be reduced by streamlining the development plan system and developing IT support for the strategic management system. The Ministry of Finance will proceed from the Cabinet resolution of 21 June 2012 in its further activities.

Suggestion made by the National Audit Office to the Minister of Finance: The state's performance in the achievement of goals should be recognised in the state's activity reports in a balanced and analytical manner in future.

Response of the Minister of Finance: The Ministry of Finance agrees with the proposal.

Suggestion made by the National Audit Office to the Minister of Finance: The secretaries general of ministries should introduce the action plan execution reports of their areas of government to the Riigikogu.

Response of the Minister of Finance: The Ministry of Finance will consider the recommendation.

/digitally signed/

Tarmo Olgo
Director of Audit, Performance Audit Department

Recommendations made by National Audit Office and responses of the Minister of Finance

On the basis of the audit, the National Audit Office made several recommendations to the Ministry of Finance. The minister sent his response to the recommendations made by the National Audit Office on 9 August 2012.

General comments on the audit report

Minister of Finance: We would like to thank the National Audit Office for the description of the situation and recommendations given in the audit report. Overcoming the challenges described by you is important in order to improve the efficiency and effectiveness of the use of public resources.

Head of Legislative Drafting Department of the Government Office ex officio State Secretary: Improving the quality of the work done for the achievement of the state's goals and carrying out the necessary analysis is important in the opinion of the Government Office. Several questions have been raised about this in the audit report, and many shortcomings have also been pointed out.

As highlighted in the report, most of these problems have been acknowledged and solutions are being sought. For example, one of the broader topics discussed in the action plan prepared as a result of the OECD State Governance Report was clearer definition of the Government's strategic goals and creation of the administrative opportunities required for their implementation, incl. via planning and budgeting. This requires streamlining the strategic goals of the Government and government agencies, which should then be considered in state budget drafting. The financial accounting and management system should also be standardised, and a relevant information system should be developed.

The context of budget planning or strategic planning is not the only one in which the issue of achieving development goals is important. The Government has started improving the system for assessment and follow-up assessment of the impact of draft legislation, as this is required by the applicable "Good Legislative Drafting and Rules of Legislative Drafting". The Government Office coordinates the programme "Development and Streamlining of the System for Planning Long-term Work of the Government", which helps implement a harmonised system for analysing the impact of strategies. The related "Impact Assessment Methodology" has been prepared and will soon be discussed in the Cabinet.

The approach in the report, which focuses primarily on the budget, is therefore not comprehensive or adequate. Impact assessment should be applied to every draft, which may have a significant impact, because decisions are made all year round at the levels of the Riigikogu, the Government and ministers. In the budgetary context, this mainly concerns new investment projects etc., which really should be accompanied by information about the implementation of alternative measures and expected impact. The methodological question – what information can be called performance information – is also associated with the extent, accessibility and relevance of information, but not adequately explained in the report. The nature of such information may vary and it may not have to be associated with a policy field, e.g. demographic trends and their impact on the school network, which is not directly related to the performance of the area of education in the previous period.

Some aspects and conclusions are not adequately justified in the report, and therefore need to be discussed again when decisions are made:

- the activity report of the state is certainly an important source of information, but due to the level of generalisation it is impossible to assume that all problems and successes of areas of government are recognised therein. Also, when a new budget is prepared, the activity report of the previous year cannot be an adequate source for the assessment of the next draft budget, because the information therein is partly too old and difficult to use.
- The arguments about the high cost of the development plan system are also inadequate. A mishmash of examples is used to describe the number of officials engaged in the management of the system and the related payrolls. The line between the cost of maintaining the system and the actual implementation of development plans has not been defined. The negative opinion of the high cost is therefore not based on any comparison, but on subjective perceptions. Comparison with other countries, earlier periods or the volume administrated by the relative system should definitely be considered when the principled choices recommended in the report are made.
- For the central issue of the audit, it is assumed that 'the link between an activity and an indicator is ascertained'. The report does not explain whether an activity should have a direct connection with an indicator or with the established goal. As the Government Office has pointed out in its earlier comments on the report, an indicator can only be a tool that helps assess an activity.
- The criticism in the conclusions focuses on the fact that the impact of activities on the indicators that characterise the achievement of goals has not been sufficiently analysed and no conclusions have been drawn from this. The question of how assessable an impact is has evoked international and academic interest in the area of policy-making for decades. One of the main conclusions has been that the manifestation of impact takes time, which is why indicators of different levels (output, performance and impact) are needed, and assessing them all at the same time and with the same methods is impractical, or even impossible. The report, however, speaks about the state's activity report that concerns a short period, and is critical about the fact that comprehensive impact is not assessed, but it does not explain that its manifestation as well as analysis should be related to a longer period.

Analysing the relevance of indicators that concern established goals and their achievement definitely needs separate attention. This would make it possible to identify some of the reasons why planning a budget on the basis of performance does not work well. It would then be possible to start increasing the quality of setting goals and indicators, which would also help to make them more usable.

Implementation of the Action Programme of the Government and the competitiveness strategy “Estonian 2020” can certainly also be improved. The audit highlights the positions of areas of government that, at present, it is only done as and when money is found, and that getting a mention in these documents should guarantee that the activity receives attention and financing. This highlights problems in thinking that assistance in carrying out plans made at the state level should come from somewhere outside, and there is a failure to understand that the area of government itself has to perform the main role, i.e. pay attention to the agreed goals and implement the necessary funds.

Execution of the action programme is monitored and assessed in practice. At the end of each quarter, ministries report to the Government Office on how well they have managed to perform the actions given in the action programme. The Government Office assesses both substantive execution as well as adherence to the schedule and sends the relevant review to the secretaries general. If additional activities are required for the achievement of a goal, these are discussed once a year when the action programme is updated. Sectoral workgroups of secretaries general (15-16 workgroups) have been created to negotiate these topics. The Strategy Bureau of the Government Office gives the Government an overview of the achievement of goals at least once a year, which also depends on the cycle of (statistical) data. Guaranteeing additional funding is therefore not the only criterion for monitoring the achievement of the state’s goals.

Minister of Social Affairs: We would like to thank the National Audit Office for their work. We generally agree with the observations and opinions given in the draft audit report “Activities of Government of the Republic in Assessing Impact of Its Work and Performance Reporting”.

Minister of Agriculture ex officio Minister of Economic Affairs and Communications: Thank you for preparing the draft report and sending it to us. In general, we agree with the overview of the activities of the Minister of Economic Affairs and Communications and the results of the analysis. Based on the goal of the audit, it mainly focussed on how relevant activities of the Ministry of Finance are planned and carried out and how performance is analysed. The conclusions of the audit and the recommendations made to the Ministry of Finance, however, are rather general or process-based, and do not provide direct guidelines for further development of activity principles. Although the differences in the activities of ministries make offering a universal model difficult, they could certainly benefit from specific proposals about the improvement of central organisation and performance made as a result of the audit.

Intermediate level indicators are a problem when it comes to the goals and indicators of development plans. Output indicators are not enough when financing needs are justified and compared in the budget drafting process, because they only reflect immediate output instead of the efficiency of an activity. On the other hand, the level of macroeconomic indicators is too general, and the success of their achievement does not arise directly from specific initiatives. It is therefore necessary to develop a system of intermediate level indicators which would show how contributing to them helps achieve the target value of macro indicators. We also agree with the conclusion given in the audit that the existing budgeting and performance measurement system demands a lot of human and financial resources, which makes it impossible for ministries to contribute more to the process than they are currently doing. This audit would be a very suitable basis for the National Audit Office in making recommendations about streamlining the system.

Minister of the Environment: The Minister of the Environment approves the audit report “Activities of Government of the Republic in Assessing Impact of Its Work and Performance Reporting” without comments.

Minister of Education and Research: We reviewed the draft audit report “Activities of Government of the Republic in Assessing Impact of Its Work and Performance Reporting” of the National Audit Office and agree with the main position of the National Audit Office that coordination in the implementation of strategic planning must be increased and the connection between the processes of making budgetary decisions and strategic planning must be tightened. The Ministry of Finance and the Government Office are working with the other ministries to find solutions to problems and improve the situation. The Cabinet approved the initial proposals for streamlining strategic management and set an action plan for the future at its meeting held on 21 June 2012.

In order to manage the state’s development goals, it is necessary to know the immediate results of measures and projects used to achieve these results as well as the long-term impact of the strategic choices made. The time needed to achieve changes in different areas of activities varies considerably – there are areas (such as education) where even the primary process takes a long time by covering three to four 4-year planning periods, and the time shift of the impact of the governing decisions made earlier must be considered in the assessment of the knowledge and skills acquired. This is why we disagree that the broader use of impact assessment and reporting, or using output results as the basis of management decisions, could be alternative goals.

Although we agree that reducing the administrative burden (incl. in the implementation of strategic planning) is important, we believe that the time and money invested in strategic planning would be well worth it if the planning system worked well. We consider perfecting the framework of strategic planning created in recent years and linking it to the process of making budgetary decisions more effective than conceptual attempts to change the system.

Region Minister ex officio Minister of the Interior: The Minister of the Interior reviewed the draft audit report submitted by you. We acknowledge your desire to help streamline the state’s strategic planning system. For the last two years the Ministry of the Interior has been working to set clear goals for its activities and measuring performance (especially in the area of homeland security) in order to put its resources to better use. We are pleased that the recommendations given in your report support the approach chosen by us.

It is important for the strategic planning system in the state to be targeted and well thought through, and it should not create unnecessary bureaucracy or administrative burden. The Ministry of Finance has taken steps to streamline the system and we hope that your proposals will be considered. However, we must understand that increasing our impact assessment capacity is a long process and establishing it for making management decisions without due consideration could have the opposite result – administrative burden could grow without the quality of decisions improving.

Recommendations of the National Audit Office	Response of the Minister of Finance
117. In order to identify the (performance) information needed by the Riigikogu and the Government of the Republic for the management of development goals, the National Audit Office recommends the following action plan to the Minister of Finance: ▪ In the fourth quarter of 2012, request the official opinion and suggestions of all areas of government and the Government Office about the principles of using performance information: whether, how much, where and on which conditions impact assessment and use of results are reasonable and possible in the management of areas of government. Also, request opinions on the requirements and streamlining of the state's strategic planning system. ▪ Using the opinions as a basis, create the position and proposals of the Ministry of Finance on the development of budgeting and strategic planning; introduce and discuss the proposals with the secretaries general of the ministries. ▪ Introduce the proposals of the Ministry of Finance and results of the discussions with secretaries general to all fractions of the Riigikogu, and ask them for their opinion on the development of strategic planning and budgeting. ▪ The Ministry of Finance should introduce the proposals and results of discussions to the Government of the Republic and ask the Government to present its clear position on the development of budgeting and strategic planning no later than in the third quarter of 2013. ▪ According to the decision of the Government of the Republic and the Riigikogu, a schedule and action plan should immediately be prepared for implementation of the developments, and the functions of the Ministry of Finance and the Government Office in the implementation and support of the development should also be clearly determined. Report to the Government of the Republic on the execution of the action plan on the deadlines set out in the decision. ▪ If the goal will be to increase the use of impact assessment and reporting in making management decisions, it will also be necessary to agree on impact assessment principles (extent, priorities, level, financing and mechanisms for checking the reliability of data), increase impact assessment capacity, ascertain the best current practices and clearly determine where strategic plans are to be used in state budget drafting and making management decisions in areas of government. ▪ If broadening the use of the output results of the activities of ministries (immediate performance of specific support, projects or main measures) in making management decisions is selected as the goal, it will be necessary to agree on the principles for	Our schedule for implementation of the recommendations made by the National Audit Office is faster than you offered in clause 117 of the draft audit report. We rely on the development work carried out in the Ministry of Finance in recent years. Many development plans will be changed within a year as a result of the planning of the European Union's financial perspective for 2014-2020. We want to avoid a situation where proposals for the development of budgeting and strategic management come immediately after major changes in development plans. Making changes to a system is more economical at a time when a number of strategies are open. For this purpose, we want to use the experience gained from pilot projects, and the positions and improvement proposals developed in the workgroups of financial and development managers in the best possible manner. After the discussion of the "Concept for Development of Public Financial Management" in January 2008, the Ministry of Finance started developing a more systematic framework for the possible implementation of performance management. Within this framework, the Ministry of Finance and its consultant (Geomedia/RAKE) contacted all ministries and constitutional institutions and asked for their proposals about the organisation of the state's strategic management. Networks (financial managers and development managers) and a workgroup (development team), which included representatives of ministries, constitutional institutions and universities, were created in the development of a performance management framework suitable for the state. A special seminar attended by secretaries general and the State Secretary was held in December 2009, and it included workshops where the participants discussed performance management solutions suitable for the state. In cooperation with ministries, constitutional institutions and foreign experts (Praxis, Ernst & Young, PriceWaterhouseCoopers and the ministries of finance of Australia and the state of Hessen), the Ministry of Finance developed proposals about the development of strategic management and financial management and submitted them to the OECD for an opinion when the state governance report was prepared. Workgroups of secretaries general were formed thereafter on the initiative of the Government Office for the gradual implementation of the developments described in the report. We have discussed all of the proposals submitted to us in the workgroup of development managers and financial managers, the workgroup of secretaries general that plans the EU financial perspective for 2014-2020 and others. Results of the workgroups of secretaries general are being gradually introduced to the Riigikogu according to the prepared proposals. For example, the Ministry of Finance introduced the public financial management plans to the Budget Control Committee after a Cabinet session and to the Finance Committee in May and June 2012. Proceeding from the priority of the topics and the state's capacity, the Government Office and the Ministry of Finance introduced the results of the workgroups of secretaries general in the Cabinet on 13 October 2011, where the Government approved the 'Action Plan for Implementation of Report'. Earlier, the Government had approved the activities associated with strategic planning and financial management developments (sub-clauses a) and d) of clause 9) 'Making Public Administration Simpler and More Efficient') and their deadlines in its action programme. In June 2012 the Ministry of Finance also introduced the starting points for drafting the new state budget act and the strategic management development plans to the Cabinet proceeding from the Action Programme of the Government. The purpose of the proposals developed by the Ministry of Finance was to ensure that taxpayers' money is more efficiently used and that the goals set by the state are achieved. The Ministry of Finance considers it necessary to increase the volume of substantive work on account of the time spent on technical work in strategic management. The amount of technical work can be reduced by streamlining the development plan system and developing IT support for the strategic management system. The Ministry of Finance will proceed from the Cabinet resolution of 21 June 2012 in its further activities.

Recommendations of the National Audit Office	Response of the Minister of Finance
collecting output results and guaranteeing the reliability of data, and to determine the clear places in which the output will be used in state budget drafting and in making management decisions in areas of government.	
▪ The National Audit Office is of the opinion that reducing the administrative burden of ministries should be set as the goal of streamlining the strategic planning system in other cases.	
▪ The state's performance in the achievement of goals should be recognised in the state's activity reports in a balanced and analytical manner in future.	The Ministry of Finance agrees with the proposal.
▪ The secretaries general of ministries should introduce the action plan execution reports of their areas of government to the Riigikogu.	The Ministry of Finance will consider the recommendation.

Characterisation of audit

Purpose of audit

The purpose of the audit was to assess whether ministries use impact analyses and performance information in the development and implementation of policies and in making budgetary choices. The audit also assessed whether the state's activity report gives a reliable description of the Government's performance.

Assessment criteria

- the ministry assesses the impact of its activities on the indicators selected on the basis of the state's development plans. Data and methodology are reliable;
- the ministry has created an internal control system to monitor the achievement of goals which is regularly used for performance assessment and, where necessary, making corrections;
- the ministry uses performance information and impact assessment in making management decisions and in budget negotiations with the Ministry of Finance;
- the Ministry of Finance uses performance information and impact assessment in state budget drafting. This means that the Ministry of Finance analyses the action plan execution reports, action plans, organisation-based development plans and other performance information submitted by ministries and uses the results to make financing proposals;
- the Government's activity report gives an overview of the achievement of the goals set in the action plan and gives reasons for the differences between expected and actual performance;
- the Ministry of Finance and the Government Office have determined their roles in promoting impact assessment and use of performance information, and have taken practical steps for this.

Scope and approach of audit

The auditees included the Ministry of Finance and the Government Office as the coordinators of the state budget drafting process and strategic planning accordingly, and the Ministry of Economic Affairs and Communications, the Ministry of the Environment, the Ministry of the Interior, the Ministry of Education and Research and the Ministry of Social Affairs as the 'main administrators' of the indicators selected for inspection in the audit.

The National Audit Office reviewed the state's effective development plans within the scope of the preliminary explanation of the audit and selected around ten indicators that appear most often in the plans. The National Audit Office asked the relevant ministries to confirm that the selected indicators are significant for the Government, or to make proposals to replace one indicator with another. The Ministry of Education and Research used this. The methodology of the audit was introduced and approved at a joint focus group meeting of the auditees.

Indicators selected for audit: 1) employment rate, 2) average standard of living by regions, 3) relative poverty rate, 4) productivity compared to the average of the EU 27, 5) crime rate, 6) proportion of young people whose level or education is low and who are not working, 7) greenhouse gas emissions and 8) proportion of renewable energy in final consumption.

The most important activities carried out to find answers to the main questions posed by the audit were:

- preparation of questionnaires for ministries and the Government Office and analysis of responses; requesting materials;
- requesting and analysing additional materials as a result of responses;
- analysing the 2007 and 2010 action plans of ministries and their execution reports;
- analysing the activity reports of the state that form parts of the 2009 and 2010 consolidated annual reports of the state;
- analysing the organisation-based development plans and sectoral development plans of ministries and their execution reports;
- analysing the state budget strategies;
- interviews and meetings;

member of the Riigikogu Taavi Rõivas,
member of the Riigikogu Kalle Laanet,
member of the Riigikogu Tõnis Lukas,

Head of the State Budget Department at the Ministry of Finance,
Deputy Head of the State Budget Department at the Ministry of Finance,
Head of the Department of Public Finance and Strategies at the Ministry of Finance,
Head of the Department of State Budget Coordination and Monitoring at the Ministry of Finance,

Strategy Director at the Government Office,
Assistant Strategy Director at the Government Office,

Head of the Department of Economic Development at the Ministry of Economic Affairs and Communications,
Head of the Sustainable Energy Unit of the Energy Department at the Ministry of Economic Affairs and Communications;
Head of the Internal Audit Department at the Ministry of Economic Affairs and Communications,
Head of the Budget Department at the Ministry of Economic Affairs and Communications,

Secretary General for Labour at the Ministry of Social Affairs,
Head of Labour Policy Information and Analysis Department at the Ministry of Social Affairs,
Head of Social Policy Information and Analysis Department at the Ministry of Social Affairs,
Development Adviser at the Ministry of Social Affairs,
Financial Manager at the Ministry of Social Affairs,

Adviser in the Welfare Department at the Ministry of Social Affairs,

Deputy Secretary General at the Ministry of the Environment,
Head of the Analysis and Planning Department at the Ministry of the Environment,
Deputy Secretary General for Climate at the Ministry of the Environment,
Head of the Finance Department at the Ministry of the Environment,
Adviser in the Finance Department at the Ministry of the Environment,
Head of the Internal Audit Department at the Ministry of the Environment,

Head of the Analysis Department at the Ministry of Education and Research
Adviser at the Ministry of Education and Research
Head of the Finance Department at the Ministry of Education and Research

Adviser on Homeland Security and Planning at the Ministry of the Interior,
Head of the Law Enforcement and Criminal Policy at the Ministry of the Interior,
Head of the Information and Analysis Department at the Ministry of the Interior,
Head of the Finance Department at the Ministry of the Interior,
Head of the Regional Development Department at the Ministry of the Interior,
Head of the Internal Audit Department at the Ministry of the Interior,
Auditor of the Internal Audit Department at the Ministry of the Interior,

Time of completion of audit:

June 2012

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An electronic copy of the audit report (PDF) is available at www.riigikontroll.ee.

A summary of the audit report is also available in English.

The number of the audit report in the internal records system of the National Audit Office is 2-1.7/12/70042/17.

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Previous audits of the National Audit Office in the area of budget drafting, strategic planning and impact assessment

31.10.2011 – **Organisation of the assessment of the impact of legal acts**

10.10.2011 – **Overview of use and preservation of state assets in 2010**

15.10.2008 – **Activities of the Ministry of Finance in developing budgeting principles**

All of these reports are available on the National Audit Office's website www.riigikontroll.ee

Annex A. Questionnaire for Ministries

The audit focusses on the financial information of the state budget and the flow of performance information in the structural units of executive power. The first premise for carrying out the audit is a review of existing procedures and practices. We paid special attention to activities where two information flows meet. We have prepared questions to obtain an initial overview. Please answer these questions. Please also submit materials that confirm or illustrate your answers to the questions (e.g. relevant work procedures, guidelines, illustrative memos, analysis forms, minutes of meetings and position papers for budget negotiations). The National Audit Office will draw its conclusions mainly on the basis of the documents and responses you provide.

The questions are divided in two: 1) questions concerning specific indicators; and 2) questions concerning the management and control system of the ministry. The more detailed your answers, the easier it will be for us to consider the specific features of the organisation and avoid unjustified generalisations in the audit.

You can select the person who will answer the questions, but in order to guarantee comparability, please give the structural unit and job title of the respondent at the end of the questionnaire or enclose a table that shows who answered which questions.

1. Questions about specific indicators

1.1. Which of the measures at its disposal does the area of government use to influence indicator YYY?

1.2. What kind of impact have these measures had on said indicator (e.g. over the last five years)? What is the ministry's opinion based on?

1.3. What are the main measures used by other state agencies to influence the indicator?

1.4. What kind of impact have these measures had on the indicator (e.g. over the last five years)? What is the ministry's opinion based on?

1.5. How is the correctness of the source data of surveys and assessments ascertained?

1.6. How does the ministry plan to assess impact or its aspects that it is not yet capable of assessing?

Please submit surveys, analyses and impact assessments (primarily from the period of 2006-2010; if the surveys were carried out in earlier periods, then not more than 7 years ago) which confirm the ministry's opinion of the impact of the measures on indicator YYY.

2. Organisation of management and control systems

2.1. How are the goals and indicators of the area of government established? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.2. How and on what basis are goals adjusted? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.3. How is information about indicators collected and how is the reliability of information verified? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.4. How are measures required for the achievement of goals selected? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.5. How is progress towards goals and the impact of measures monitored? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.6. How and on what basis are measures adjusted? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.7. Is the agency's management regularly informed about the (non-) achievement of goals and how is this done? Has a regular work form been established? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.8. How does the management generally react to monitoring information? Are there any work procedures?

2.9. Is performance information used to make management decisions in the area of government, and how is this done?

2.10. How are internal financing decisions made? What is the internal budget defending process like? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.11. Are performance information and impact analyses used to justify budget applications in negotiations with the Ministry of Finance, and how is this done?

2.12. If they are used, how much is this justification considered in budget negotiations?

2.13. Is the annual action plan of the ministry regularly monitored once confirmed by the Government of the Republic, and how is this done? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.14. On what basis is amendment of the action plan in the middle of a year requested? What do these amendments generally concern?

2.15. How is the annual action plan execution report prepared? (If there is a written procedure or set of procedures that regulates this, please submit it to us.)

2.16. Has a unit that gives advice on the improvement of the quality of strategic development plans, use of performance information and carrying out impact analyses been created in the area of government? How is this advice given?

2.17. Does the Ministry of Finance and/or the Government Office advise the area of government on the preparation of the action plan execution report, and how is this done?

2.18. How are measures chosen for impact analysis? (Please enclose a list of the impact analyses carried out from 2006-2009 and in 2010.)

2.19. What is the estimated cost of all impact assessments (not only those concerning the indicator under scrutiny) outsourced from 2007-2010 (by year, where possible)? Please give your estimate for 2010 if distinguishing them for each year is not possible.

2.20. What are the estimated costs of the area of government in the performance of so-called strategic planning requirements (as part of the ministry's operating expenses) from 2007-2010 (by year, where possible)? Please give your estimate for 2010 if distinguishing them for each year is not possible.

2.21. What are the biggest problems and development opportunities associated with performance information and measuring impact? What are your expectations of the performance information processing system that would be optimal for your area of government?

2.22. Could the Ministry of Finance and the Government Office contribute to the broader use of performance information and impact assessment, and how could they do this?

Annex B. Questionnaire for the Ministry of Finance

The audit focusses on the financial information of the state budget and the flow of performance information in the structural units of executive power. The first premise to carrying out the audit is a review of current procedures and practices with a particular emphasis on activities where two information flows meet. In order to obtain an overview of primary documents and current practices, we have prepared a number of detailed questions and enclosed a list of documents (currently known to us) that we would like to review.

The questions have been structured on the basis of the stages of strategic planning and budgeting process, and generally categorized on the basis of the documents created in the course of this combined process. Similar questions have been prepared for each document, which is why it may seem that the questions are asked repeatedly. The more detailed your answers, the easier it will be for us to consider the specific features of the organisation and avoid unjustified generalisations in the audit.

Please give the structural unit and job title of the respondent at the end of the questionnaire or enclose a table that shows who answered which questions.

A. Organisation-based development plan

a.1) Does the Ministry of Finance advise other ministries on how to prepare organisation-based development plans, and how is it done? Is there a procedure/set of guidelines or other similar document?

a.2) Does the Ministry of Finance analyse organisation-based development plans? If so, how has this been organisationally arranged?

a.3) Which tasks are set by management for the officials who analyse organisation-based development plans? If established in writing, please submit this to us.

a.4) What is the result of an analysis of an organisation-based development plan that is written down by the official who analysed the information? Please submit analyses of the organisation-based development plans of the Ministry of Social Affairs (hereinafter MSA), the Ministry of Economic Affairs and Communications (MEAC), the Ministry of Education and Research (MERI), the Ministry of the Interior (MI) and the Ministry of the Environment (ME) for 2011-2014.

a.5) What happens to these analyses next and how is this information used (e.g. in the preparation of the state budget strategy, state budget drafting, analysing new action plans, etc.)?

a.6) The Prime Minister and ministers hold traditional meetings at which they discuss organisation-based development plans. What is the purpose of these discussions? Do the discussions provide any input for the preparation of the state budget strategy and state budget drafting, and how do they do so?

a.7) Does the Ministry of Finance cooperate/have contact with the Government Office in analysing organisation-based development plans and giving advice on their preparation, and what is this like? If there are written materials, please submit them to us.

B. State budget strategy

b.1) What is the division of work between departments in the preparation of the state budget strategy (hereinafter SBS)?

b.2) Who decides the structure of the SBS, and how?

b.3) Which performance information, impact analyses and MF analyses are considered in the preparation of the state budget strategy? How? If there are written examples, please submit them to us.

b.4) How does the Ministry of Finance develop its position in the preparation of the state budget strategy? Please submit materials that characterise the process, e.g. process papers of the MF in the preparation of SBS 2011-2014, analyses/reasons of the proposals presented within the Government, etc. If position papers are prepared by ministry, please submit the ones concerning the MSA, MI, MEAC, MER and ME.

b.5) Does the Ministry of Finance cooperate/have contact with the Government Office in the preparation of the SBS, and what is this like? If there are written materials, please submit them to us.

b.6) Are there any plans to amend the structure and content of the SBS this year or in the next three years, and what are these amendments like?

C. Ministry's action plan

c.1) Does the MF analyse the annual action plans of ministries in budget drafting? If so, how has this been organisationally arranged?

c.2) Which tasks are set by management for the officials who analyse action plans in budget drafting? If set in writing, please submit them to us.

c.3) What is the result of an analysis of an action plan that is written down by the official who analysed the information? Please submit analyses of the 2011 action plans submitted to the MF by the MSA, MI, MEAC, MER and ME.

c.4) Are analyses of action plans used in state budget drafting and making budgetary decisions? Please give specific examples of how the information obtained from analysing an action plan has been used.

c.5) Have any changes occurred in analysing action plans and using results in recent years and what plans have been made for the future? Please describe. If there are written materials, please submit them to us.

c.6) Does cooperation with the Government Office in the area of action plans occur in any context? If there are written materials, please submit them to us.

D. Draft state budget

d.1) What is the division of work between departments in state budget drafting?

d.2) Which performance information, impact analyses and MF analyses are considered in the preparation of the draft state budget? How? Please give written examples.

d.3) How and on what basis is the position of the Ministry of Finance developed in state budget drafting? Please submit the 2011 state budget negotiation minutes of the MSA, MI, MEAC, MER and ME and the internal memos/position papers of the MF for negotiations with said ministries.

d.4) How much do ministries use analyses and studies of the impact of their activities to justify their (additional) budget applications (in negotiations)? For example, do they consider alternatives in activities and finances by forecasting impact in one case or another?

d.5) Are any other analyses considered in state budget drafting (e.g. budget execution analysis, transferable funds, information on monitoring foreign support, staff costs, etc.)? If so, which ones? How? How is this data tied to performance information (action plan execution report, new action plan, etc.) and how?

d.6) What are the biggest changes made in the 2011 draft state budget at the sessions of the Government of the Republic and in the Riigikogu? What were the reasons, justifications and analyses? Please submit written materials.

E. Amendment of action plans

e.1) What information does a ministry have to submit to the MF in order to request amendment of its action plan? If you have established relevant guidelines or forms, please submit them to us.

e.2) What is the role of the Ministry of Finance in the preparation of the order of the Government of the Republic concerning the amendment of action plans in the middle of a year? Does the Ministry of Justice only collect the amended action plans for the Government's approval? If this is not the case:

e.3) Which tasks are set by management for the officials who analyse applications for amendment of action plans? (If established in writing, please submit this to us.)

c.3) What is the result of an analysis that is written down by the official who analysed the information? (If there is a written analysis form, please submit it to us. Also give examples such as memos, etc.)

e.5) How is analysis used? Have applications been rejected, or has the extent of an amendment been adjusted?

e.6) The order of the Government of the Republic that concerns approval of the action plans of ministries and state agencies in their areas of government was amended five times in 2007 and 4 times in 2010. Please submit the application/cover letters or other reasons of the MSA, MI, MEAC, MER and ME for amendment of action plans in each case when the Government of the Republic amended the action plans of said ministries in 2007 and 2010.

e.7) Please submit the explanatory memoranda of all of the aforementioned amendments of the orders of the Government of the Republic.

F. Action plan execution report

f.1) What is the function of the action plan execution reports of ministries and state agencies in their areas of government?

f.2) Does the Ministry of Finance analyse action reports? If this is the case:

a.3) Which tasks are set by the management of the Ministry of Finance for the officials who analyse action plan execution reports? (If established in writing, please submit this to us.)

f.4) Which departments of the Ministry of Finance take part in the preparation and use of analyses, and how do they do this?

f.5) What is the result of an analysis of an activity report that is written down by the official who analysed the information? (If there is a written analysis form, please submit it to us.) Please submit analyses of the 2007 and 2010 action plan execution reports of the MSA, MI, MEAC, MER and ME. Please also submit the 2007 and 2010 action plan execution reports of these ministries as submitted to the Ministry of Finance.

f.6) How is the result of the analysis used?

f.7) Does cooperation with the Government Office in the area of action plan execution reports occur to any context? If there are written materials, please submit them to us.

f.8) In the opinion of the Ministry of Finance, how good is the quality of the 2010 action plan execution reports, i.e. are they reliable and transparent and has the impact of activities been explained?

- Please give examples of discussions, correspondence, developments, etc. that characterise the use and improvement of the quality of activity reports.

G. Sectoral development plan

g.1) Does the Ministry of Finance advise other ministries on how to prepare sectoral development plans, and how does it do so?

g.1) What is the division of work between departments in the approval of sectoral development plans?

g.3) What kind of cooperation/contact is there with the Government Office in advising on and/or approving sectoral development plans?

g.4) Which tasks are set by management for the officials who approve sectoral development plans, or what does the official have to look out for? If set in writing, please submit this to us.

g.5) Please send the approval letters of the last five development plans drafted by the Ministry of Finance.

g.6) Are analyses of sectoral development plans used in analysing organisation-based development plans, preparation of the state budget strategy, state budget drafting, analysing new action plans, etc. If so, how is this done? Please give examples of how the information obtained in analysing development plans has been used (the MF's position papers and financing proposals/priority amendments, agendas and minutes of budget negotiations, etc.).

H. General questions on strategic planning

h.1) What practical benefits do you see in the strategic planning system (i.e. preparation of sectoral development plans, preparation of annual action plans and preparation of action plan execution reports)?

h.2) What are the biggest problems associated with the use of performance information and measuring impact?

h.3) What are the biggest development opportunities associated with the use of performance information and measuring impact?

h.4) What could motivate ministries to make more use of performance information and impact assessment?

h.5) What role does the Ministry of Finance see itself performing in promoting the use of performance information and impact assessment, advising in the state and making budgetary decisions? Has this role been defined? Where and how was this done?

h.6) Do any specific activities support promoting the use of impact assessment and performance information by ministries in planning and implementing policies? Please describe them.

h.7) Have any specific activities been planned for promoting the use of impact assessment and performance information in future? Please describe them. When?