



Performance management in Latvia: experience and future challenges

Ilonda Stepanova,
Head of the Budget Department, Ministry of Finance

Mārtiņš Krieviņš,
Head of the Policy Co-ordination Department, State Chancellery

History of Reforms: Main Steps



- Step 0: Legal framework established in 1994 - Law on Budget and Financial Management
- Step 1: Budget programs introduced, but failure in performance indicators in 1997 - focuss on inputs rather than outputs control, e.g. number of subordinated institutions, number of staff, etc.
- Step 2: Performance indicators within a broader scope of introduction of unified (normatively bounded) policy making system in 2001 – 2003, indicators defined mainly for outputs.
- Step 3: Introduction of strategic planning system linking policies with budget in 2003 – 2006 alongside training, introduction of structural funds.
- Step 4: High growth (~11% of GDP per annum) and high inflation (~10%) driven introduction of the Medium Term Budgetary Framework (MTBF) and demand to substantiate value for money
- Step5: Second cycle for performannce management system starting fom 2007

Main track records up to now



- Public administration gradually rising its planning skills and monitoring capabilities
- Bigger demand for quality of performance indicators from politicians and civic society

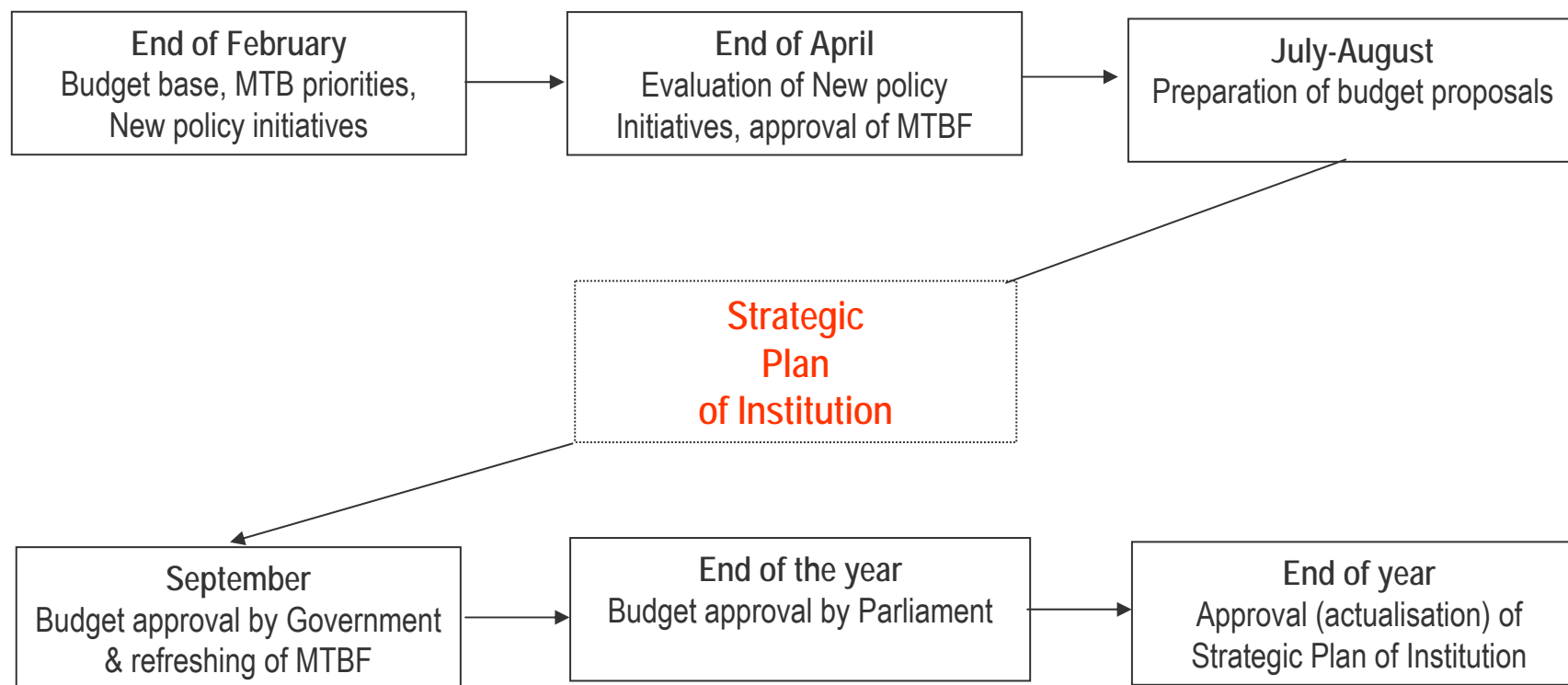
Outcome indicator	2005	2007 (A/B)	2008 (A/B)	2009 (A/B)
Length of case proceedings at the 1st instance (civil law; in months)	4.4	4.4 / 3.9	4.5 / 3.7	4.7 / 3.5
Number of innovative companies (% from total)	25	28	30	38
Decrease of time spent for execution of administrative procedures during harmonisation of construction plan (against the year 2006; % a year)	-	5%	10%	15%
Decrease in number of violations in construction (ratio between serious violations and inspected objects)	30	30	28	25
Increased productivity in processing manufacturing (added value in comparative prices/ total production; %)	10	10	8	8
Proportion of cases with changed sentence in appellation instance (civil law)	1.1.%	1.1.%	1.1.%	1.1.%

Recent developments



- Concept paper “On implementation of strategic planning and medium term budget planning in public administration” adopted by the Government (September, 2006):
 - setting pace for changes to annual budget preparation process;
 - introducing MTBF starting from 2007
 - an n+3 approach with clear fiscal policy goals (profit instead of deficit);
 - Medium term (3 years) budget framework (annual law on budget for 1 year and Maximum permitted amount of expenditure for ministries and other central state institutions for 2 further years);
 - introduce new budget elasticity principles.
 - introducing process of centralized review and ranking of New Policy Initiatives;
 - establishing closer link between strategic planning and budget preparation process;
 - all the ministries have full strategic plans since 2007.

Budget process (squeezed version)



Main challenges



- Second cycle of the introduction of the performance measurement system intended to start in 2008
- The New Guidelines on Results and Performance based Indicators:
 - changing from overall objectives to specific (particular policy based) ones;
 - increasing the quality of indicators:
 - pushing forward for outputs/outcomes rather than inputs/outputs;
 - pushing for direct linkage with objectives
 - minimising the total number of performance indicators;
 - focusing on inputs/outputs rather than outcomes;
 - improving monitoring and evaluation processes;
 - increasing competences of civil servants.

Lessons learned



- Make reform “politicians-driven” rather than “civil servants driven” in order to ensure quicker pace of changes;
- During the kick-off process of reform it is crucial to have a competence of performance measurement at least in one institution – to advise and consult other ministries;
- Start with the assumption that the success with this kind of reform comes slowly – examples, Finland, France, Latvia
- Training, training and once more training
- The key problem lies not so much in definition of indicators as in definition of objectives.



We are looking forward for further questions or comments and hope seeing You in Riga!

Ilonda Stepanova,

Head of the Budget Department

Ministry of Finance of the Republic of Latvia

Phone: +371 67095433

E-mail: ilonda.stepanova@fm.gov.lv

Mārtiņš Krieviņš,

Head of the Policy Co-ordination Department

State Chancellery of the Republic of Latvia

Phone: +371 29239862

E-mail: martins.krievins@mk.gov.lv