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Designing Budget Programs and Performance Measures in Estonia

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State Budget Department

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Disclosure

- 10 years of civil service
- Local Government, Ministry of Social Affairs, Ministry of Finance
- Always on Development (Strategic Planning, EU funding, HR, IT, Finance)
- Training mainly in Comparative Politics

Estonia (Population 1,3 million)

- 1991 – Regaining independence
- 1992 – Monetary reform and a new Constitution
- 1994 – Liquidation of Russian bases
- 1997 – EU membership negotiations
- 2004 – Member of EU and NATO
- 2011 – Joined the Euro-zone

Outline

- 1. Why we need to change?
- 2. What we have done?
- 3. Where we are today?
- 4. What we want to do next?

1. Why we need to change?

- The method of budgeting does not comply with the government needs for policy-making and implementation (Official)
- Currently the Cabinet does not necessarily understand what are the actual implications of a decision (Personal experience)
- Decreasing population and convergence with the EU raises the pressure to be more effective and efficient (MoF Management)

1.1. Policy-making and implementation

Line-item and cash-basis budgeting:

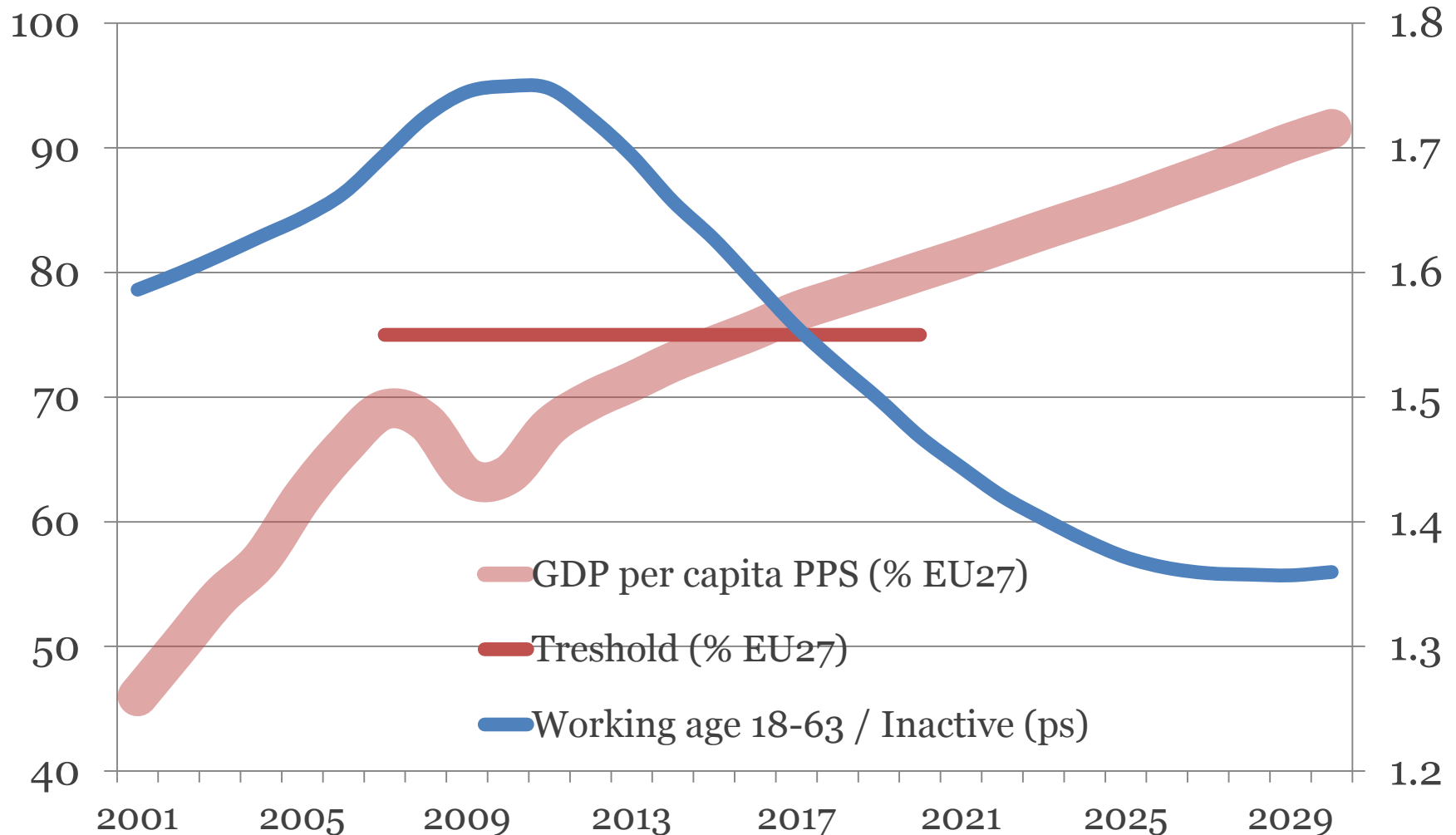
- Hides the cost of policy alternatives;
- Focus is not on the objectives and results;
- Limited analysis of previous results;
- Partial view – emphasis on yearly cash-based revenue and costs.

1.2. What does a decision really mean?



1.3. How survive in the long term?

% EU27 average



2. What we have done?

- 2000 – great rise in the number of development plans (strategies)
- 2003 – Accrual accounting (success, but...)
- 2006 – More systematic approach to strategic planning and use of performance data
- 2008 – Concept (white paper) on Public Financial Management reform
- Crisis and fiscal consolidation
- Methodology and pilots
- 2011 – OECD report
- 2012 – preliminary approval from the Cabinet

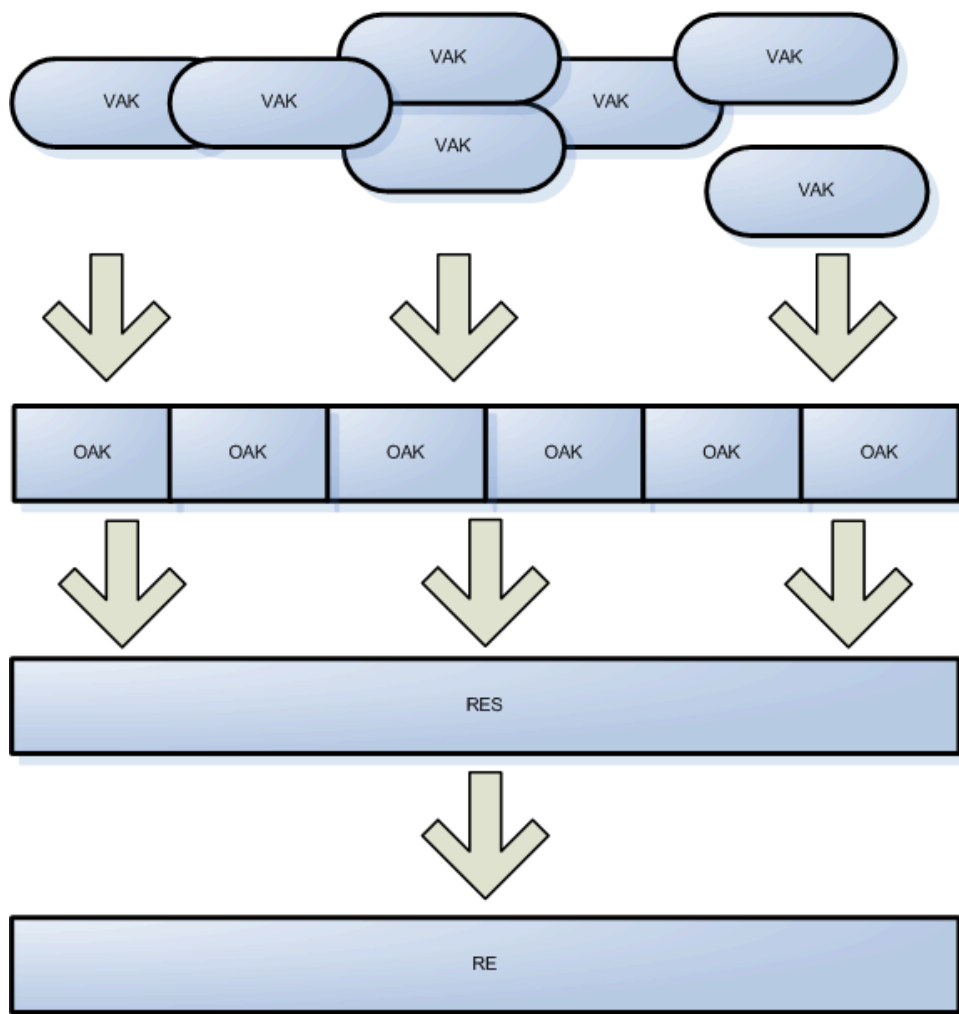
2.1. What we have learned?

- Change takes time.
- The dictate of what is on the news dominates the agenda of politicians. Priorities are elusive.
- There is very little public and political interest in performance measures and actual results.
- Too much flexibility in form ends in frustration and hinders analysis.
- Achieving political buy-in is extremely difficult, but necessary. Creativity and attentiveness help.

3. Where are we today?

- We have a system and experience with measures and programs.
- The pilots and preparations have increased understanding and enthusiasm.
- Have we done enough to achieve the necessary support for reform?

3.1. Current system



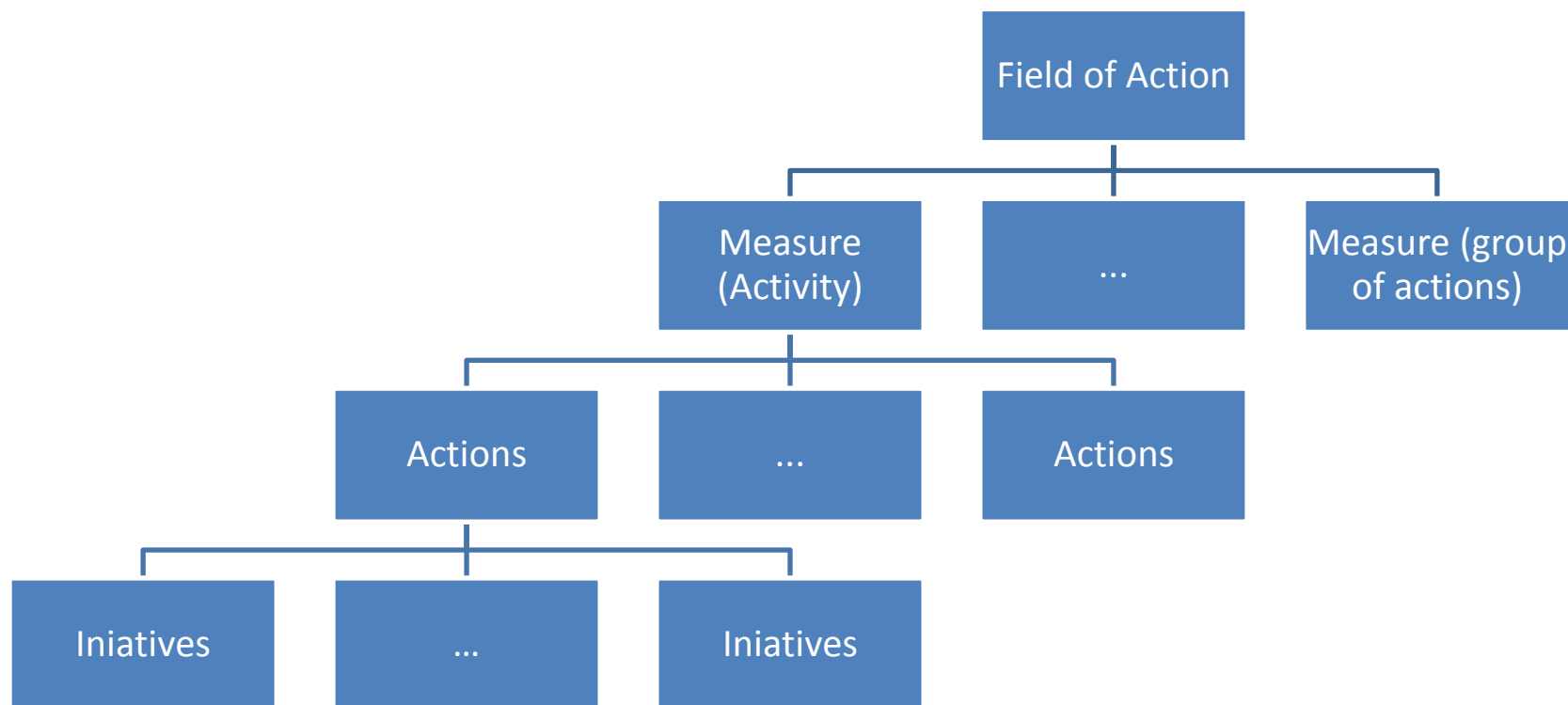
About 60 Parliamentary and Governmental strategies. Down from 120.

11 Ministerial strategies with similar structure. Covering all government actions.

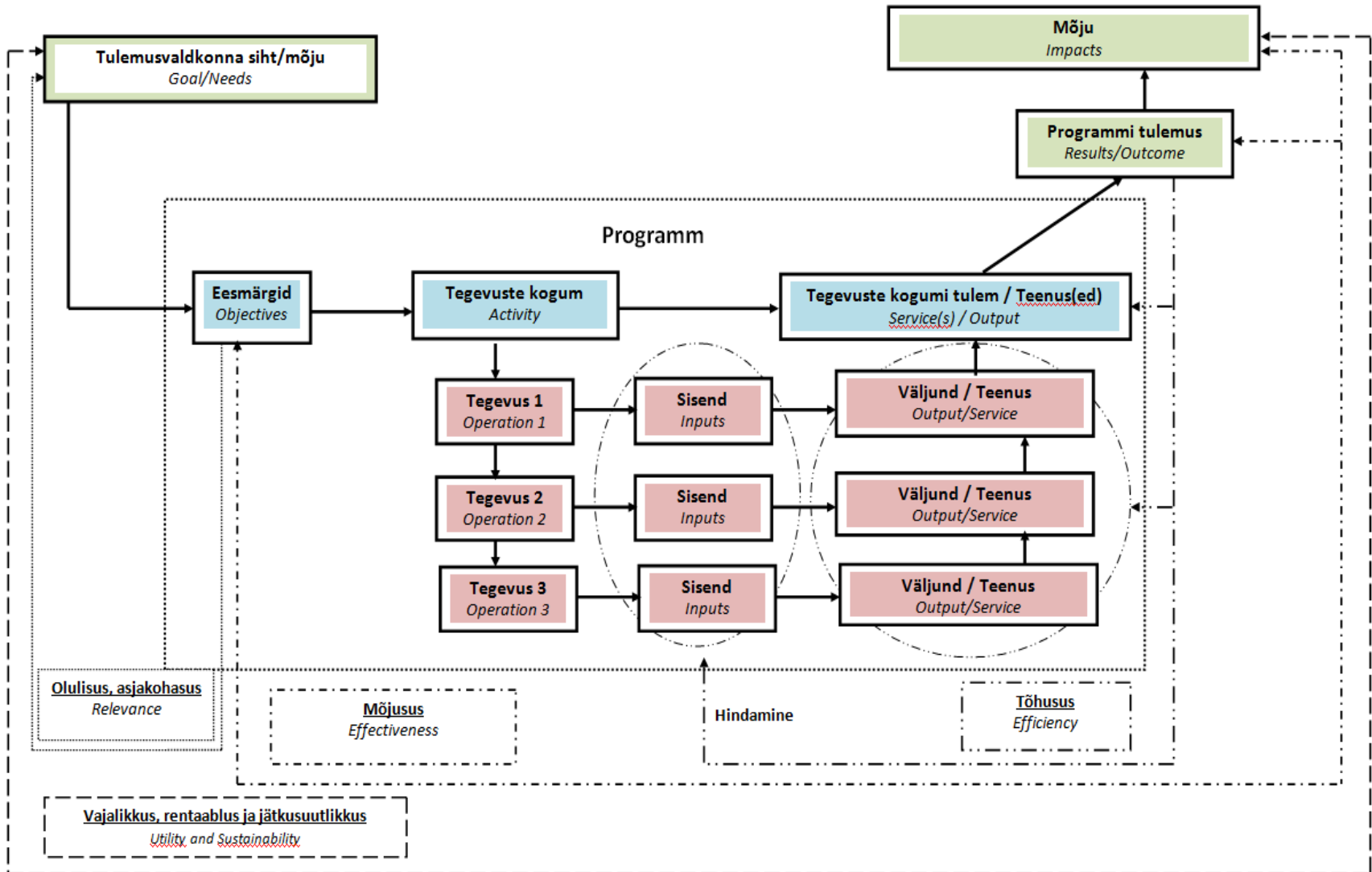
Four year State Budget Strategy that complies with the four year government program.

Annual State Budget. And annual reporting to parliament.

3.1. Current hierarchy in performance information presented with the budget



3.2. Performance management framework



3.3. Seeking consensus

- Rallying the supporters
- Working with those who oppose
- Using every opportunity
 - OECD Report
 - Programming EU Funds
 - Centralization of Accounting
 - Political initiatives (Balanced Budget rule)

4. What we want to do next?

- Continue with accrual budgeting reform
- Creating the infrastructure for program based budgeting (1. Legal; 2. Guidelines; 3. IT support)
- Continuous restructuring of existing strategic framework toward the Performance management framework
- First program in State Budget in 2015?

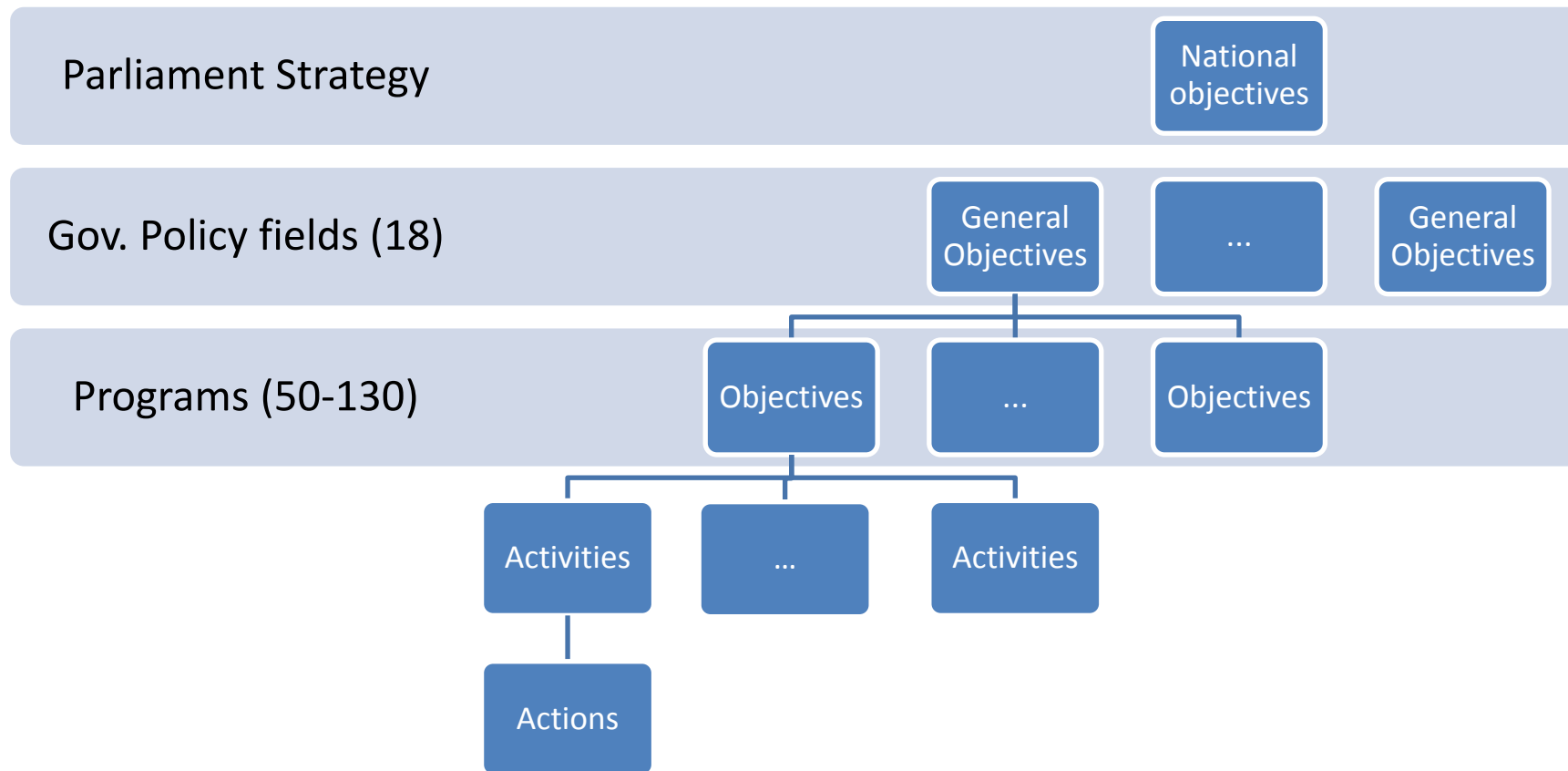
4.1. Accrual Budgeting

- OECD Report does not say that it is a must
- More technical – easier to get political support
- Enabler to solve systemic problems in the process and develop support systems

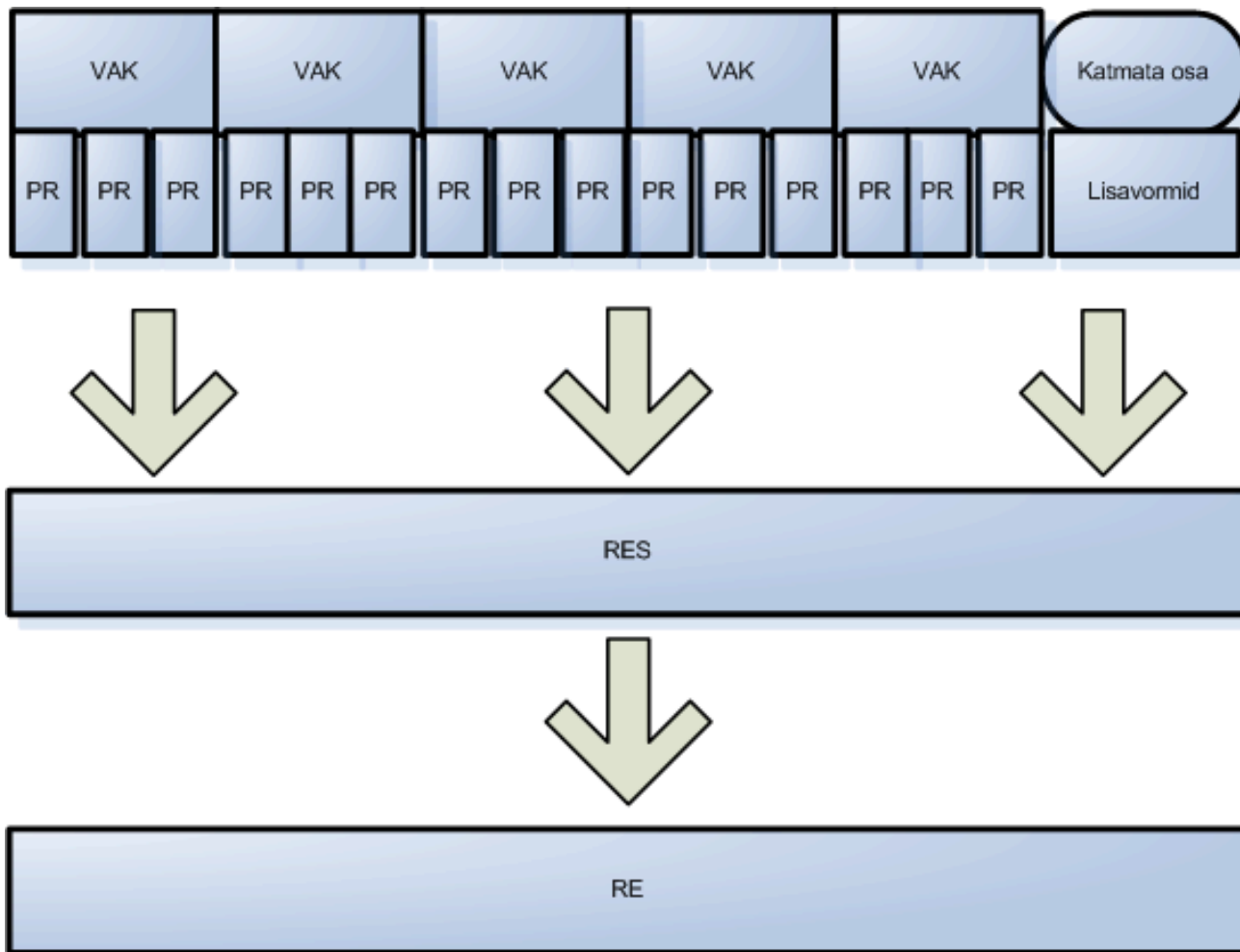
4.2. Public Financial Management Law



4.3. Creating as system of actions



4.3. New Framework



Majority of Central Government action is covered by Policy Field strategies and programs

The same structure in State Budget Strategy.

And the State Budget and Reports

4.4. The enthusiastic M of Interior

Outcome area – A Safe Society

Objective - Greater security in society

| Programs.. | Integrated Border Management | | | | |
|--------------------|--|--|--|---|-------|
| Program Objectives | To Comply with the Schengen legal requirements | To Block illegal attempts to cross borders at cross points | To Block illegal attempts to cross borders elsewhere | To apprehend the illegal immigrant as close to border as possible | Etc.. |
| Indicators | Compliance with Schengen Catalogue | People caught at the border | Solved cases of illegal border crossing | Time in which cordon is able to react to an illegal crossing | Etc.. |
| Activities | Control of people and vehicles | | Patrol and surveillance | | Etc.. |

Questions and comments?

Thank You!

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Extra slides

Change: Ratio of Investments coming from outside donors

