Policy Planning Guidelines

Contents

Summary

The aim of *the Policy Planning Guidelines* is to adjust the process of policy planning in Latvia by improving policy planning, strengthening link between policy planning and budget process, and by building more effective systems for policy evaluation and accountability.

To achieve this aim, *the Guidelines* foresee:

1. To establish four types of policy planning documents: guidelines, programme, plan, and conception. Each of these types has a specific structure, place within the process of policy planning and relation to other three types.

2. To improve coordination and hierarchy of policy planning by strengthening link between Government's priority setting and planning of work within public administration. In order to achieve it, *the Guidelines* introduce *the Government's Action Strategy* that will be build on *the Government Declaration* and will contain around 50 main results that Government wants to achieve.

3. Gradually, to introduce performance oriented management within institutions of public administration. The detail of this system will be worked out later in specific policy and normative documents. In the future, policy guidelines and programmes will require performance measures - results and indicators of their achievement.

4. To establish a system where new policy initiatives can be submitted for conceptual approval to the Cabinet of Ministers through the whole year. However, in cases where additional financing is required, the final approval of policy initiative can be done only within the process of budgetary planning.

5. To create a system of strategic planning and to set *Institution Action Strategies* as the main planning instrument for institutions, including planning of both financing and policy programmes, as well as providing a mechanism for accountability for results.

6. To determine that policy programmes will have to correspond to budget programmes after introduction of *Institution Action Strategies* in the whole of public administration.

7. To strengthen ex-ante policy assessment and to promote policy ex-post evaluation, by strengthening annotation system for draft regulations of the Cabinet of Ministers, by preparing methodology for policy impact assessment and evaluation of policy implementation, and by providing necessary training.

Implementation of *the Guidelines* will take place gradually and will not require additional resources from the State Budget in the medium-term. After approval of *the Guidelines* it is foreseen to develop several policy documents and normative acts, to provide necessary training and to implement the pilot strategic planning project within the Ministry of Agriculture. Implementation of *the Guidelines* will be reported annually.

1. Introduction

Coverage of the Guidelines

The Policy Planning Guidelines have been developed to adjust the system of policy[1] planning in country by making it more effective and by improving the link with planning of the State Budget.

The Policy Planning Guidelines provide with an analysis of and propose modernisation measures to policy planning within public administration. This document does not regulate issues of regional and local (including territorial) planning (which is a competency of local governments).

Relation to other policy documents

The Policy Planning Guidelines have been developed taking into account the *Methodology Guidelines for the Medium Term Budget Planning* and *Public Sector Reform Strategy for 2001 – 2006* - both approved by the Cabinet of Ministers.

The period covered by the Guidelines

The Policy Planning Guidelines (*the Guidelines* in the remaining part of this document) are developed for the period 2001 – 2006. Reporting on implementation of *the Guidelines* will be annual.

2. Description of the current situation

The following reform initiatives have been undertaken so far to improve policy planning:

- Starting of budget planning in the medium-term perspective. It is the basis for continuity of policy planning and financing;
- Beginning of Government's priority setting within the budgetary planning process;
- Starting of impact assessment for draft legal acts;
- Development of several long-term policy planning documents;
- Adoption of the *Public Sector Reform Strategy for 2001 – 2006*.

Policy planning reforms need to continue in order to solve the following problems:

There is no unified approach to policy planning. Since 1993, there are more than 450 conceptual documents approved by Government the status of which is not clear due to underdeveloped system of policy revision, replacement, and cancellation. The existing *Cabinet of Ministers Regulation of Internal Order and Procedure of the Cabinet of*

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[1] In the context of this document the term "policy" is used to describe a purposeful action by the Cabinet of Ministers and institutions of public administration in specific spheres of society's life, for example, Government's economic policy, pension policy, health care policy, equality of genders policy etc. The process of policy-making usually will contain elements such as problem definition, setting of objectives, deciding on allocation of financial resources, planning of activities and carrying out those activities, evaluation of results, and deciding on policy change, if required.

Ministers does not provide with a precise definition of types of policy planning documents and use of those documents at various stages of policy-making. At the same time, policy planning within various sectors develops differently (for example, policy planning is better developed in areas that receive EU financing where policy revision takes place).

The relation between various policy planning documents is not clear. Coordination and hierarchy of various policy planning documents is not set. When developing policy-planning documents there is a risk of duplication and competition. Competition can be witnessed when various policy-planning documents include similar measures for policy implementation. It can also be the case that several ministries submit to Government competing policy documents about the same subject area (for example, several ministries can propose establishment of identical institutions).

The link between policy planning and the State Budget is not well developed. Often policy planning does not take into account financial constraints. It leads to unreal programmes and inefficient use of resources. Policy and legal initiatives can be adopted, without providing adequate resources.

The system of policy evaluation and accountability remains inefficient. Use of policy ex-ante impact assessment and ex-post evaluation is inadequate. There is no clear and unified procedure in place to evaluate effectiveness of policies and to provide Government with an account of results achieved.

3. Principles of Policy Planning

The following main principles are lied down as the basis for these *Guidelines*:

- *The principle of priority of Government policy* – policy planning occurs in accordance with the Government's Declaration on Intended Activities.
- *The principle of participation* – non-governmental organisations, private sector, local governments, international institutions are involved in the process of policy planning. Society is provided with information regarding policies planned.
- *The principle of continuity and coordination* – in the process of policy planning both actualisation of existing Government's policies and coordination with other initiatives are provided.
- *The principle of financial constraint* – existing financial constraints within the State Budget are taken into account when accepting new policy initiatives.
- *The principle of accountability* – policy planning is results oriented process. Accountability is ensures at all levels of public administration.
- *The principle of subsidarity* – in the process of policy planning, it is evaluated which level of public administration is the most appropriate for implementation of a particular policy. Considering the contents and volume of the task as well as requirements for economy and effectiveness does it. It is possible to foresee delegation of some policy issues to the local government competency.
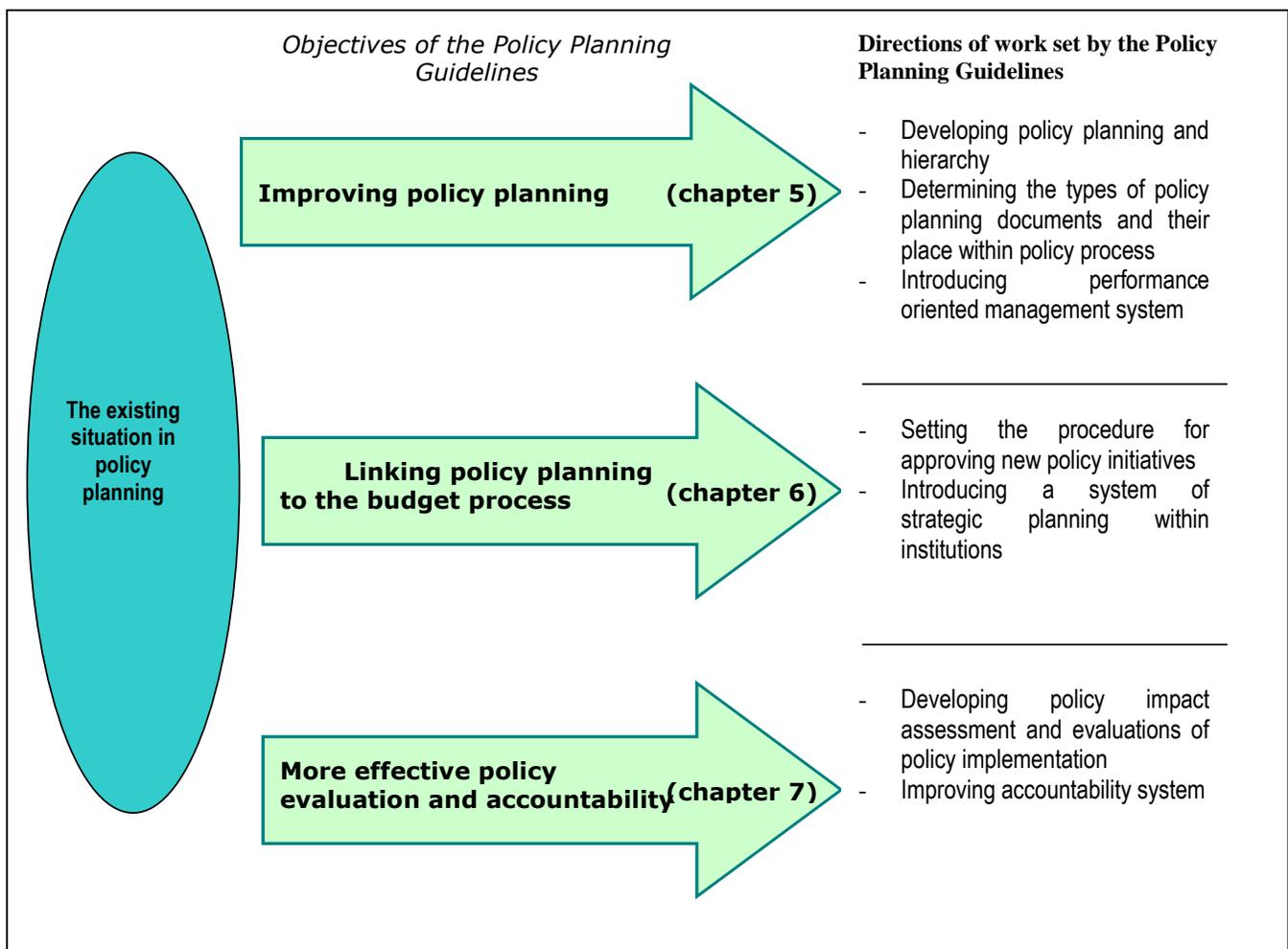
4. Objectives and direction of work of *the Policy Planning Guidelines*

Adjusting policy process, and introducing clear and single set of standards for policy planning and implementation are the **objectives** of developing these *Guidelines*. These are achieved by:

- improving policy planning;
- linking policy planning to the budget process;
- creating more effective system for policy assessment and evaluation.

To implement the objectives and basic principles of these Guidelines it is foreseen to develop policy planning system of the country by working in several directions. Schema 1 represents the objectives and directions of work:

Schema 1: Objectives and directions of work of Policy Planning Guidelines

Objectives of the Policy Planning Guidelines

Directions of work set by the Policy Planning Guidelines

The existing situation in policy planning

Improving policy planning (chapter 5)

- Developing policy planning and hierarchy
- Determining the types of policy planning documents and their place within policy process
- Introducing performance oriented management system

Linking policy planning to the budget process (chapter 6)

- Setting the procedure for approving new policy initiatives
- Introducing a system of strategic planning within institutions

More effective policy evaluation and accountability (chapter 7)

- Developing policy impact assessment and evaluations of policy implementation
- Improving accountability system

5. Improving policy planning

In order to improve policy planning *the Guidelines* proposes:
- to set a clearer hierarchy and establish linkages between policy documents;
- to specify types of policy planning documents, their structure and place within policy planning process;
- to orient policy and budget planning towards policy objectives and results.

The solutions proposed in this chapter of *the Guidelines* are supporting implementation of the following principles in policy planning - *the principle of priority of Government policy*, and *the principle of continuity and coordination*.

5.1 Developing coordination and hierarchy of policy planning

5.1.1 Problem statement

The coordination and hierarchy of policy planning is determined by subordination of planning documents of public administration to Government's political objectives, and by dependency of sectoral planning on common objectives of country's development. The hierarchy should not be seen as grouping of policy documents into groups of "more" or "less" important. Rather, it is an instrument aimed at easing process of harmonising various documents.

So far, Government's work is planned according to priorities set within the *Declaration of Intended Activities of the Cabinet of Ministers* (Government Declaration in the remaining parts of *the Guidelines*). Declaration has a central place within the system of policy planning. It is a voluminous document that includes:
- 19 activity areas (for example - financial policy);
- more than 300 themes (for example – financial stability).

The Ministries prepare *Action Plans for Implementation of Government Declaration*, outlining specific measures and activities to be undertaken in order to implement priorities set by Government Declaration (within 300 themes). For example, the current Action Plans of the Ministries foresee more than 1700 activities.

The Methodology Guidelines for the Medium-Term Budget Planning approved by the Cabinet of Ministers foresee that there are medium term budget priorities set during the budget process[2]. *The Law on Budget and Financial Management* foresees it also.

Both mentioned instruments of policy planning – Government Declaration and budget priorities set the basis for strategic planning within both Government as a whole and each Ministry separately. To improve effectiveness of use of these instruments, it is necessary to eliminate the following inadequacies:

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[2] Objectives and priority directions of development of the medium-term budget.

- Government's Declaration is a voluminous document and its numerous activities are not prioritised;
- There is a lack of cross-sectoral approach within Government's Declaration;
- The very short period of preparing Government's Declaration does not allow for carrying out a proper assessment of implications (especially financial) of implementation of priorities;
- Often, Ministry Action Plans just describe ongoing functions of the Ministries;
- Medium-term budget priorities relate to the budget process only. They do not cover a number of important areas of Government's work;
- There is a duplication of planning work between Ministry *Action Plans for Implementation of Government Declaration* and internal planning activities in the Ministries.
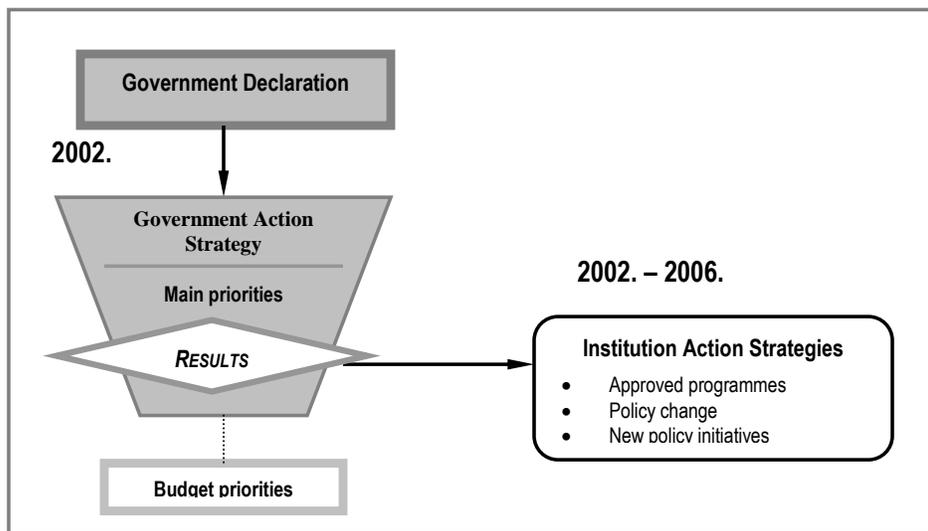
5.1.2 Linking policy planning documents

The Government Action Strategy (GAS), a single and concentrated Government's working document. It is prepared based on the current Government's Declaration. It will assist the Government to define and concentrate on the main priorities and most important results to be delivered.

In order to eliminate inadequacies of policy planning described in section 5.1.1, and based on experience of some developed countries[3], it is proposed to develop *Government Action Strategy (GAS)*. The GAS is the document of Government's main priorities (both sets of priorities – those requiring additional financing and those not requiring it are included in GAS) and results to be delivered. It defines the main results to be delivered in areas of Government's work and provides with a link between Government's Declaration, budget priorities, and *Institution Action Strategies* after their introduction in public administration (see section 6.2 of this document). Introduction of the GAS will ensure more focused inter-ministerial cooperation during policy planning and implementation by concentrating on around 50 main results that Government wants to deliver.

The GAS does not represent the entire work of the whole Government. Instead, it shows those results that are emphasised by Government and that are of importance to citizens.

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[3] For example, Sweden, Great Britain, New Zeeland, Honk-Kong and others.

Schema 2: Link between policy planning and Government Declaration

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│                                                                        │
│        ┌─────────────────────────┐                                     │
│        │  Government Declaration  │                                    │
│        └─────────────────────────┘                                     │
│   2002.            │                                                    │
│                    ▼                                                    │
│         ╲  Government Action  ╱                                         │
│          ╲     Strategy      ╱          2002. – 2006.                   │
│           ─────────────────                                             │
│            Main priorities                                             │
│              ╱─────────╲           ┌──────────────────────────────┐    │
│      ◇──────< RESULTS >──────┼────▶│  Institution Action Strategies│   │
│              ╲─────────╱           │   •  Approved programmes      │    │
│                 ┆                  │   •  Policy change            │    │
│                 ┆                  │   •  New policy initiatives   │    │
│        ┌─────────────────┐         └──────────────────────────────┘    │
│        │ Budget priorities│                                            │
│        └─────────────────┘                                             │
│                                                                        │
└──────────────────────────────────────────────────────────────────────┘
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At the principal level, policy planning documents are harmonized with Government's Declaration through *Institution Action Strategies* and the GAS. Until *Institution Action Strategies* get introduced in all the Ministries, the GAS provides with a mechanism of coordination between:

- Government's Declaration;
- Government's main priorities and ministry policy planning;
- budget priorities.

For the first time the GAS is developed based on Government's Declaration before start of budget planning process. Annual budget priorities are set based on the GAS and Government's medium term budget priorities. In the case of Government change, considering the previous GAS and principles of its development develops the new GAS.

Positive aspects of introducing GAS

By introducing the GAS, Government will improve its control over implementation of priorities, which are important to both Government and citizens. The emphasis on ongoing activities will be removed and there will be a basis for more effective inter-ministerial cooperation. By gradually introducing both the strategic planning system and the GAS, existing parallel systems of planning will be integrated, and there will be no need for separate Ministry *Action Plans for Implementation of Government Declaration*.

Negative aspects of introducing the GAS

Establishing an effective link between the GAS and planning of work of the Ministries can be time consuming process. It can be fully implemented only after introduction of *Institution Action Strategies* in all of the public administration.

5.1.2.2 Linking planning of work of public administration with country's development planning

To implement *the principle of priority of Government policy*, and to improve links between various policy planning documents, *the Guidelines* recognise the following documents as being fundamental in the hierarchy of documents (Schema 3):

- Government Declaration as the main political document and the *Government Acton Strategy* as the main document for setting out Government's priorities and results to be achieved (see sub-section 5.1.2.1);
- *Long Term Economic Development Strategy* as the main document setting long term priorities for country's economic development;
- *The National Development Plan* (NDP) as the medium term document for planning of socio-economic policy. The NDP acts as an implementation instrument for *the Long Term Economic Development Strategy*.

Schema 3: Linking planning of work of public administration with development policy planning
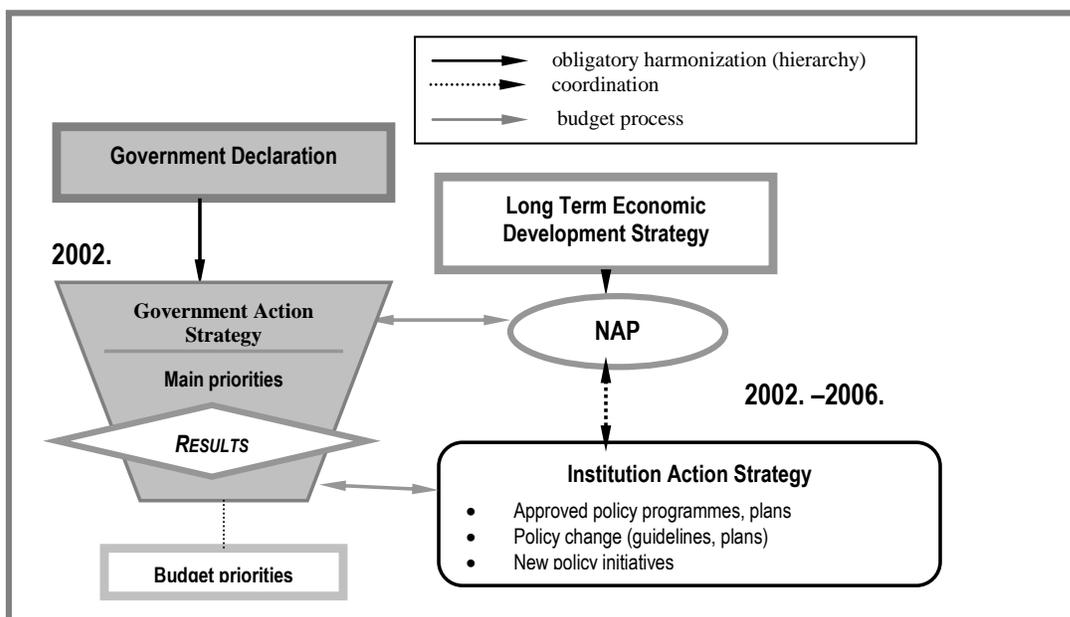
For linkages represented in the Schema 3 to work effectively, the quality of the NDP becomes very important. It needs to become economically justified document setting out limited set of priorities crucial for country's development[4]. If this requirement is not met, only documents of Government's political objectives will remain at the top of hierarchy of policy planning system (Government's Declaration, the GAS).

5.1.3 Further activities

Preparation of the *Government Action Strategy* based on Government's Declaration and medium term budget priorities and eventually – *Institution Action Strategies*. This is achieved by:

- Policy Coordination Department of the State Chancellery proposing formulation of 7 to 9 key result areas based on analysis of the Government Declaration and other documents, and providing with indication of the Ministries involved in each key result area.
- Undertaking a consultation process with the Ministries to formulate key result areas and propose results within each area;
- Approving *the Government Action Strategy* in the Cabinet of Ministers.

Indicatively, this process should be completed by April 2002 before the start of the Budget 2003 planning.

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[4] At the moment of finalizing these Guidelines, the Government has approved NDP Strategic Memorandum.

5.2 Determining the types of policy planning documents and their place within the policy planning system

5.2.1 Problem statement

To ensure a unitary approach to policy planning in public administration it is necessary to specify types of policy planning documents and their place within the policy planning system. The existing Cabinet of Ministers Regulations of the Internal Order and Procedure of the cabinet of Ministers foresee one type of policy planning documents – concept paper. However, in reality the Cabinet of Ministers considers policy guidelines, strategies, programmes, state programmes, national programmes, plans, concept papers and other documents. The structure and procedure for submission of those documents to the Cabinet of Ministers is not set. The requirements set out in annotations for legal acts also do not apply for policy documents. As a result of this, policy documents are often deficient, thus impacting on the quality of decision making.

Analysis of the existing policy documents suggests that the most common deficiencies are lack of consistency between proposed objectives and planned activities to achieve those objectives (there are cases when no action is foreseen), inadequate presentation of financial data (there are cases when financial data is not included at all), undeveloped proposals for necessary changes to existing normative acts. There is also no provision for policy evaluation at various stages of policy implementation.

The Cabinet of Ministers Regulations of the Procedure for Preparation and Implementation of National Programmes for Realization of Economic Policy determines procedure for developing and coordination of national programmes. However, there is a lack of defined criteria for differentiating national programmes from other programmes that are approved at the Government level. Essentially, any policy programme approved by the Cabinet of Ministers would have to be seen as a national programme. Linking national programmes only to realization of economic policy also creates problems. National policy is implemented also in other areas of society's life. By systematizing types of policy documents and by determining the mechanisms for their development, implementation and evaluation, it will be possible to forgo the separate regulation of national programmes and include them within a unitary policy planning system.

5.2.2 Types of policy planning documents and their place within policy process

5.2.2.1 Determination of the types of policy documents

In order to establish a clear system of policy planning documents and to set the sequencing of those documents in policy process, a unitary procedure for development and submission of policy initiatives to Government must be defined. These changes first of all need to be implemented in the Cabinet of Ministers Regulation of the Internal Order and Procedure of the Cabinet of Ministers, stating that the following types of policy planning documents are used the public administration:

- **guidelines;**
- **programme;**
- **plan;**
- **conception.**

The name of the type of document is used for the title of policy document, for example, *Guidelines for Latvia's Industrial Development* or *Repatriation Programme*. In exceptional circumstances, for example, if it is a requirement stemming from international commitments, title of a policy planning document may differ from the name of the type. For example programme *National Development Plan*.

Guidelines are policy planning documents, which include basic principles of Government's policy, development objectives and priorities in certain area. Guidelines are developed for both initiating new policy and cases where existing policy is not clear or when existing policy needs to be substantially changed. Assessment of impact on the State Budget needs to be included in Guidelines.

Guidelines include also directions of work for accomplishing stated objectives and indicators of achievement to be used for policy evaluation. Guidelines may include several options for directions of work. In such a case, preferred option needs to be showed by the policy initiator in the draft order of the Cabinet of Ministers. Where possible Formulation of results needs to be supported by indicators of achievement that can be used for policy assessment.

Draft guidelines have the following structure[5]:

- Description of situation;
- Formulation of problems for which there is a need to pursue certain Government policy;
- Basic principles of policy;
- Policy objectives;
- Policy results and indicators of their achievement;
- Directions of work for accomplishing policy objectives and results;
- Assessment of impact on the State Budget;
- Further activities;
- Reporting and evaluation procedure.

When submitted to Government, a draft order of the Cabinet of Ministers must be attached to draft guidelines. This draft order should provide with information on responsible institution for implementation of guidelines, time by which a programme or a plan for implementation of guidelines must be submitted to the Cabinet of Ministers, tasks for involved institutions to develop further policy planning documents and

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[5] When developing policy planning documents (guidelines, programmes, plans, conceptions), it is possible to change their structure. However, information about it must be included in planning document.

normative acts, as well as proposal for policy planning documents, which need to be recognised void.

In general, policy guidelines cover medium term but they can also be long term (10 and more years). Long term guidelines can be developed as "visions" / long term strategy documents, without proposing concrete implementation measures and financing. Policy guidelines can be developed in any policy area where there is a need for Government's position. The following examples of current documents correspond to the guidelines type of policy planning document - *National Development Plan's Strategic Memorandum, Guidelines for Macroeconomic Development and Fiscal Policy, Long Term Economic Development Strategy, Concept on Electronic Commerce,* and *Concept for Creating the Penalty Register* etc.

Utility and effectiveness of the *principle of subsidiarity* must be considered before development of guidelines.

Programme is a medium term policy planning document in certain area. It sets objectives, main tasks and results to be achieved within that area. Programme is developed to implement Guidelines approved by Cabinet of Ministers.

Draft programme has the following structure:

- Relation of programme to priorities of Government and ministry, and to policy planning documents;
- Programme objectives, sub-objectives;
- Planned results of programme;
- Indicators of achievement for programme results;
- Main tasks for achieving programme's results;
- Time plan for implementation of tasks;
- Plan of existing and required additional financing by task;
- Institutions responsible for implementation of tasks
- Reporting and evaluation procedure.

Planning financing within programme must separately show the existing financing from the State Budget and required additional financing for measures of programme. When submitted to Government, a draft order of the Cabinet of Ministers must be attached to draft programme. This draft order should provide with information on responsible institution for implementation of programme, time by which an informative report about implementation of programme must be submitted to the Cabinet of Ministers, and programmes, which need to be recognised void. Draft order of the Cabinet of Ministers may include the task to develop and submit to the Cabinet of Ministers a plan for implementation of programme.

Draft programme may include several options for directions of work and tasks. In such a case, preferred option needs to be showed in the draft order of the Cabinet of Ministers by the policy initiator.

Programme is a medium term policy planning document covering 5-year period, and it corresponds to the medium term budget planning cycle. In some cases, for example if it is a requirement stemming from international obligations, programme can be developed either for longer or shorter period not exceeding 3 to 7 year time frame.

The following examples of current documents correspond to the programme type of policy planning document - *the National Development Plan, Public Sector Reform Strategy 2001-2006, Corruption Prevention Programme, sectoral national programmes* etc.

Plan is a short term (1 to 3 years) action planning document for implementation of policy in certain area that includes a set of defined measures for implementing an assignment by Cabinet of Ministers. Plan is developed for a period defined by Cabinet of Ministers. Plan includes only those measures that have necessary financing or that do not require additional financing. If as a result of budget amendments, there are changes made to measures of plan - that does not require a special re-approval by Cabinet of Ministers. These questions are considered during the foreseen reporting and evaluation phase. This rule applies unless changes to plan are substantial.

Plan can be submitted for approval in Government only in the following circumstances – if there is an inter-ministerial coordination problem at the level of activities or if Cabinet of Ministers requires it for the purpose of acting on issues that ask for a quick government's response. In both cases, a policy position needs to be clear or defined in other planning documents so that there is no need for Government to take substantial policy decisions.

Draft plan has the following structure:

- Relation of plan to policy planning documents;
- Measures for implementation of defined tasks;
- Timing of implementation of measures;
- Existing financing for measures;
- Institutions responsible for implementation of measures;
- Reporting and evaluation procedure.

When submitted to Government, a draft order of the Cabinet of Ministers must be attached to draft plan. This draft order should provide with information on responsible institution for implementation of plan, time by which an informative report about implementation of plan must be submitted to the Cabinet of Ministers, and plans, which need to be recognised void.

The following examples of current documents correspond to the plan type of policy planning document - *Programme for Improving the Situation of Children in 2001, Action Plan for Improving Business Environment, Latvian National Employment plan for 2001.*

Conception is a document for preparing policy and planning action for resolving a defined problem. It is developed before drafting of a legal act in order to ensure decision making on certain issues. Conception is developed, if there are several different approaches to problem solution and none of them is determined in approved policy guidelines. Conception is also developed when there is a need for conceptual agreement on the contents of a particular legal act.

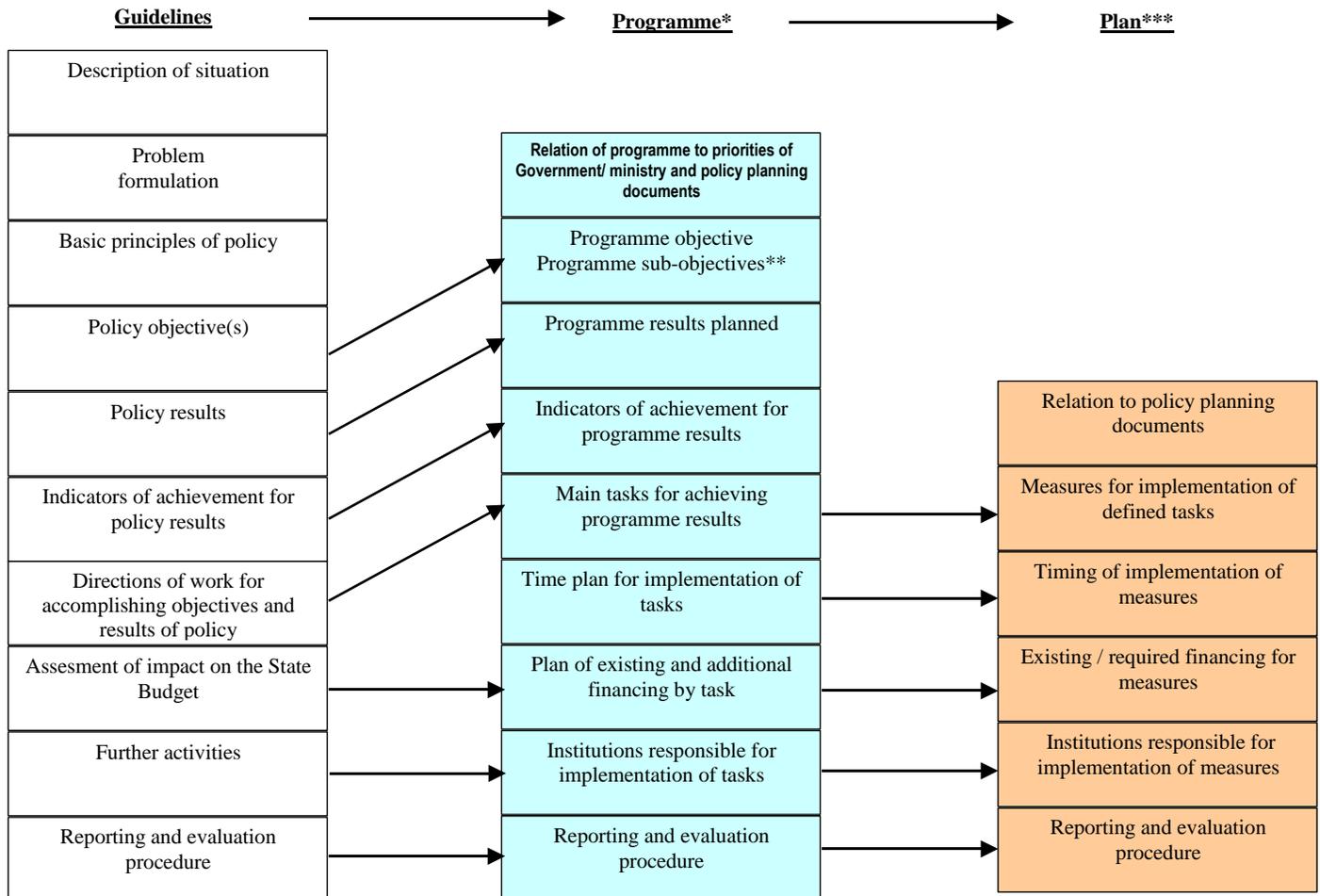Draft Conception has the following structure:

- Problem formulation;
- Reference to policy planning documents and legal acts that are related to the defined problem;
- Proposed solution to the problem including a detailed outline of the problem and prognosis of consequences if the problem is not addressed;
- Options for problem solution (showing socio-economic impact of each option and financial impact of the State and Local Government Budget and impact on businesses) and stages for their implementation;
- Description of the proposed legal act, showing the main elements of the contents of legal act, as well as proposal for responsible institutions for drafting the legal act;
- Reporting and evaluation procedure.

When submitted to Government, a draft order of the Cabinet of Ministers must be attached to draft plan. This draft order should provide with information on problem solution supported by drafting institution and tasks for particular institutions to prepare draft legal acts, as well as policy documents, which need to be recognised void.

5.2.2.2 Relationship between policy planning documents

Schema 4 represents the relationship between guidelines – programme – plan. Plan is not compulsory and sequential part of the policy planning process and follow-up on programme.

Schema 4: Relationship between policy documents

Guidelines	Programme*	Plan***
Description of situation		
Problem formulation	Relation of programme to priorities of Government/ ministry and policy planning documents	
Basic principles of policy	Programme objective Programme sub-objectives**	
Policy objective(s)	Programme results planned	
Policy results	Indicators of achievement for programme results	Relation to policy planning documents
Indicators of achievement for policy results	Main tasks for achieving programme results	Measures for implementation of defined tasks
Directions of work for accomplishing objectives and results of policy	Time plan for implementation of tasks	Timing of implementation of measures
Assesment of impact on the State Budget	Plan of existing and additional financing by task	Existing / required financing for measures
Further activities	Institutions responsible for implementation of tasks	Institutions responsible for implementation of measures
Reporting and evaluation procedure	Reporting and evaluation procedure	Reporting and evaluation procedure

* Programme is developed for one or more directions of activity foreseen in guidelines;
** In case if programme implements more than one direction of activity from guidelines;
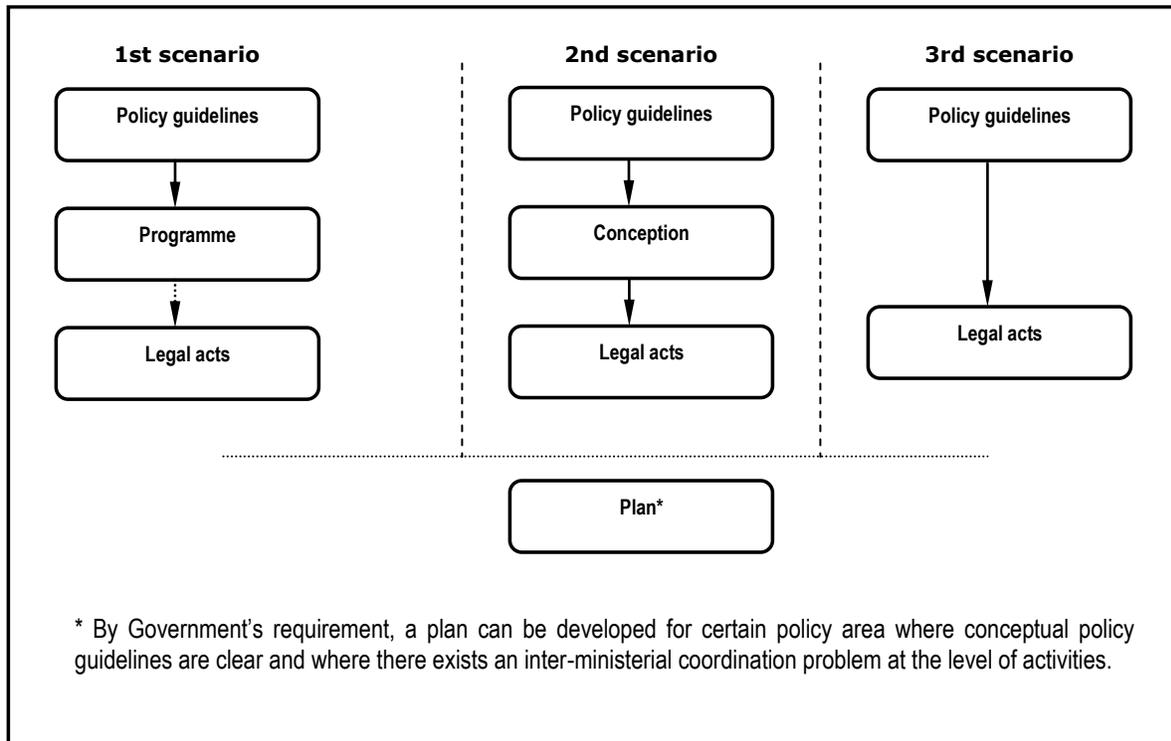*** Plan is submitted for approval to Cabinet of Ministers only in the following cases:
- where there exists an inter-ministerial coordination problem at the level of activities;
- where the Cabinet of Ministers requires it for the purpose of acting on issues that require a quick government's response.

5.2.2.3 Sequencing of preparation of policy planning documents

Policy guidelines are developed for all cases of proposing new policy initiatives or making changes to existing policies, except those cases when further development of already approved policy is planned (in those cases, a reference must be provided to concrete approved policy documents that the particular new policy planning document is based on). New policy initiatives are any policy planning proposals for implementation of new policy or for conceptual changes to existing policy, which are submitted for approval to Government.

There are there basic scenarios for developing new policy initiatives, which are represented in schema 5. In the process of policy planning, mixing of these scenarios is possible, for example, when after approving programme there might be a need for conception or new guidelines in order to improve required legal acts. Also there might be a need to develop implementation programmes and plans for legal acts.

Schema 5: Policy planning process

1st scenario	2nd scenario	3rd scenario
Policy guidelines	Policy guidelines	Policy guidelines
Programme	Conception	
Legal acts	Legal acts	Legal acts

Plan*

* By Government's requirement, a plan can be developed for certain policy area where conceptual policy guidelines are clear and where there exists an inter-ministerial coordination problem at the level of activities.

According to the 1st scenario, guidelines are followed by programme that might foresee also an implementation plan. If legal acts are required for implementation of policy, this is foreseen in policy guidelines and/or programme. Legal acts then are submitted to Government after approval of both documents – guidelines and/or programme.

According to the 2nd scenario, legal acts are the main instruments for policy implementation. Legal acts in this case can be submitted to Government after approval of guidelines and conception. Conception is developed when there are several possible solutions to a problem and those are not defined in approved guidelines.

According to the 3rd scenario, legal acts are submitted right after policy guidelines, if that is foreseen by approved guidelines and if the options for problem solution are clearly defined in those guidelines.

5.2.3 Further activities

1. Update the *Cabinet of Ministers Regulation of the Internal Order and Procedure of the Cabinet of Ministers* according to the *Policy Planning Guidelines*.

2. Considering that the new *Cabinet of Ministers Regulation of the Internal Order and Procedure of the Cabinet of Ministers* will set a unitary procedure for preparation of Government's policy documents, the regulation of the Cabinet of Ministers No. 129 on *Procedure for Preparation and Implementation of National Programmes* need to be recognised void.

3. A provision must be included in the *Cabinet of Ministers Regulation of the Internal Order and Procedure of the Cabinet of Ministers* stating that all draft policy planning documents submitted to Government that exceed 10 pages must have a summary attached outlining the essence of policy change;

4. All ministries have to undertake revision and re-classification of all policy documents under their competence according to types of documents provided in sub-section 5.2.2.1 of these *Guidelines*, and submit information on status of those documents to the State Chancellery. The State Chancellery based on this information prepares a report to the Cabinet of Ministers when reporting on implementation of these *Guidelines*.

5. The State Chancellery, based on information provided by ministries, to develop a data base containing classification of all policy documents according to the types of policy documents outlined in these *Guidelines*.

5.3 Results oriented policy management

5.3.1 Problem statement

Results oriented policy management presumes that:
- results to be achieved are defined for policies, budget and institution business planning;
- management of policy implementation is oriented towards achieving results;
- evaluating planned and achieved results does reporting on policy implementation and use of resources.

Up to now, results oriented policy management is not well established and widely used. One of the most important deficiencies of the existing system is that there is a lack of information about what is accomplished by ministries and other institutions using resources of the State Budget. Use of performance measures in the State Budget was started in 1997. However, most of the so-called institutional performance measures are not adequate policy performance measures. Mostly those are measures characterising quantity of inputs (number of staff, number of institutions). In some cases, there are outputs (see sub-section 5.3.2.1) defined, for example, the number of legal acts prepared.

The following performance measures are used for policy planning documents (guidelines, programmes etc.) and for business planning documents (Institution Action Strategies):
- costs
- activity results (outputs) and their indicators of achievement
- policy results (outcomes) and their indicators of achievement.

5.3.2 Introduction of results oriented management system

5.3.2.1 Defining of policy results and their indicators of achievement

Definition of policy results and their indicators of achievement are part of wider financial and policy management reforms in developed countries. It facilitates the process by which budget is planned on the basis of better information and on the basis of a wider discussions about expected policy results, and by considering policy and implementation alternatives. Budget and policy planning more and more are oriented towards moving away from detailed analysis of inputs – financing and resources (for example, number of staff) towards policy effectiveness issues or policy benefits (see schema 6). It does not mean that the analysis of inputs part is ignored, however, the primary discussion is about policy results and benefits.

Policy results (outcomes) can include direct policy objectives as well as high-level objectives of policy. High-level objectives of policy results basically refer to a positive change in society at the macro level that is influenced not only by one particular policy but also by other policies and processes. Direct policy objectives are concrete processes that can be directly influenced and achieved by that policy.

Activity results (outputs) are concrete outputs from activities carried out by institutions implementing policy initiative. One can call these outputs services and goods created by concrete policy.

In order to evaluate results achieved – both policy results and activity results need to be supported by **indicators of achievement** (see schema 6). Indicators of achievement can be both *quantitative* and *qualitative*. Planning, reporting and evaluation is based on indicators of achievement (effectiveness of policy and use of resources). Qualitative assessment of services delivered by public administration can be measured, for example, by sociological research.

Often there can be difficulties in defining measurable results for policy programmes, as results can show only after several years. In other cases, a specific programme can be only one among several that contributes to achievement of a common objective. In practice, in order to determine whether planned results of a policy initiative are satisfactory, it needs to be compared to with statistical data about similar results in other institutions, countries etc. When defining performance measures it is important to determine the baseline point, for example a year, against which results will be measured.

Schema 6: Main elements of the results oriented management system
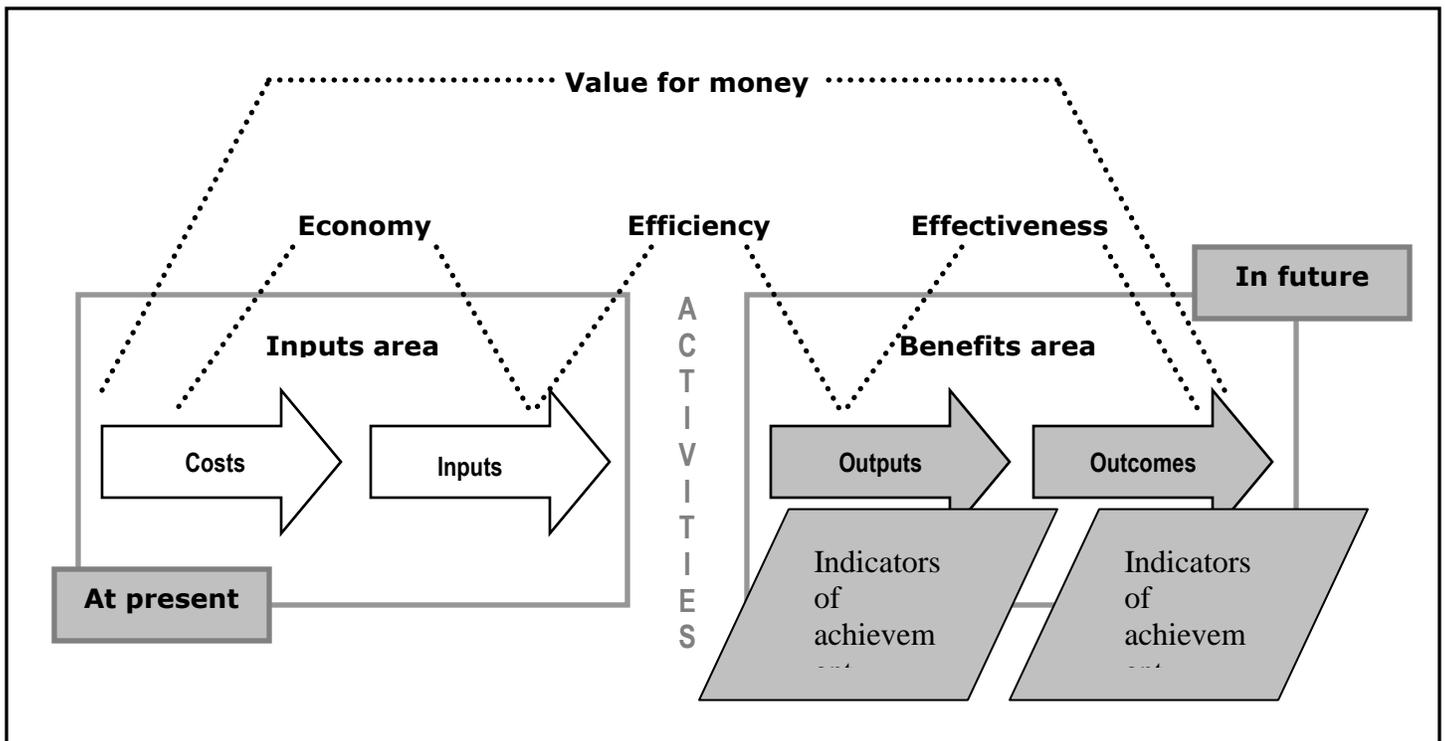
Reducing unemployment in rural areas, a policy objective, can be seen as *policy result* see Schema 7). Policy results can be measured at several levels, for example, at more general level – rural development and reducing social tension, and at more detailed level[6]. *Activity results*, in the case of this example, can be the number of state supported projects within rural areas that are successfully implemented. *Indicators of achievement for policy results (outcomes)* will measure, for example, reduction in percentage of unemployed in a concrete region. Indicators of achievement for activity results (outputs) would represent the number of people who after completing training have got into jobs, number of jobs created in rural areas, percentage increase of unemployed involved in re-training.

Schema 7: Example of policy results and their indicators of achievement
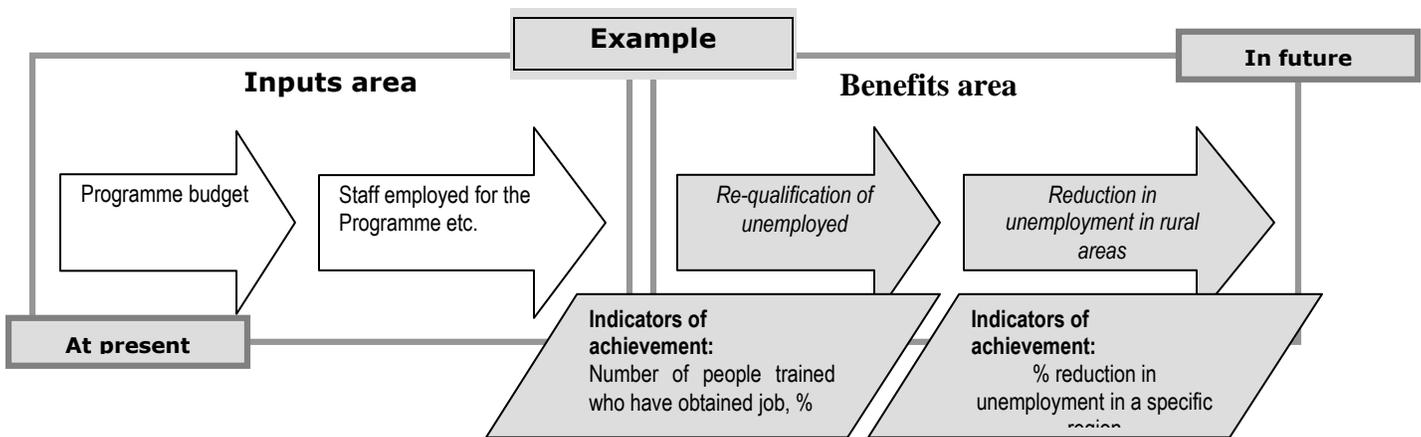
5.3.2.2 Measures for defining policy costs

By developing performance oriented management culture in public administration, there will be more analysis of policy effectiveness and value for money that characterise use of invested resources and achievement of policy results.

When policy results and their indicators of achievement are defined and used during policy and budget planning, gradually an opportunity will be created for measuring policy from the perspective of economy, efficiency, and value for money. Schema 6 represents relationship between policy outcomes and resources, by using such instruments as economy, efficiency and effectiveness.

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[6] The question of level of detail of policy results needs to be resolved at early stages of developing policy initiatives (when developing guidelines). Results can be grouped in categories, for example, when planning and implementing budget programmes.

The following measures can be used for measuring policy costs and cost effectiveness:

Economy measures, for example:
- economy of financial / time / labour unit costs;
- unit cost of a service delivered in a specific time;
- reduction in waiting time for services by X units;
- increase in the number of customers served in a specific time;

Efficiency measures, for example:
- quantity of goods / services produced by one employee in time;
- quantity of goods / services for x units of finance;
- cost of servicing one client in a specific time;
- length of producing a service;
- quantity of goods / services produced by one unit of inputs (labour, time, raw materials) in a specific time.

The measures of policy cost and cost effectiveness and their use needs to be further developed when improving policy and budget planning.

5.3.2.3 Improving the system of performance measures

In order to introduce results oriented management system, results and their indicators of achievement need to be defined and developed in following areas:
- Government Declaration and Government Action Strategy;
- Institution Action Strategies;
- Agencies and other institutions under subordination of the Ministries;
- New policy initiatives;
- Budget programmes.

5.3.3 Further activities

In order to ensure implementation of results oriented management in public administration, it is necessary to implement the following measures:

1. The State Chancellery (PCD) to develop the *Methodology for Policy Making*;
2. The Ministry of Finance and the State Chancellery (PCD) to develop *the Guidelines on the System of Performance Measures* (guidelines will include detailed analysis of the existing system of performance measures);
3. After approving *the Guidelines on the System of Performance Measures*, the School of Public Administration to develop the training programme in strategic planning and results oriented management for employees of public administration.

6 Linking policy and budget planning

To improve the link between policy and budget planning *the Guidelines* foresee:

- procedure for approving new policy initiatives;
- introduction of system of *Institution Action Strategies* in public administration

Proposals included in this chapter of *the Guidelines* are oriented towards strengthening of *the principle of financial constraint* and *the principle of priority of Government policy* in policy planning.

6.1 Setting of procedure for approval of new policy initiatives

6.1.1 Problem statement

New policy initiatives are any policy planning proposals for implementation of a new policy or for conceptual change to existing policy that are submitted for approval to Government. New policy initiatives not always require additional financing (Institution Action Strategies).

Ministry requests for additional financing increase every year - from 266 Lats million in 2001 to 406 million Lats in 2004. To a large extent, these requests are based on existing approved normative acts, planning documents, and on needs related to implementation of Government Declaration. At the same time, priority setting does not take place within sectors and according to changing socio-economic circumstances. This is dictated by the specifics of budget planning (methodology for setting a budget base).

6.1.2 Consideration and approval of new policy initiatives

To link new policy initiatives to budget planning it is proposed to set the procedure for considering and approving new policy initiatives in two stages.
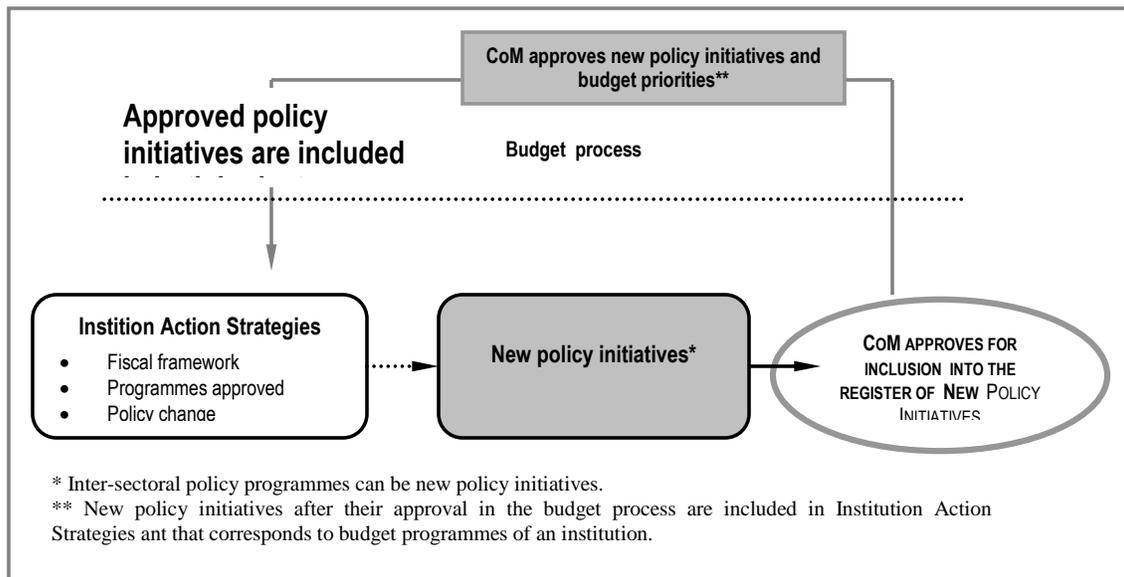
6.1.2.1 Approval of new policy initiatives in Government

New policy initiatives can be considered in Cabinet of Ministers through the year, however, the decisions regarding approval of additional financing for those initiatives can be taken only during the budget process. During the first stage (before start of budget planning) Government considers new policy initiatives conceptually. If a specific policy initiative requires additional financing, Government decides on including that initiative within *Register of New Policy Initiatives*. During the budget process, this Register is the basis for considering new policy initiatives when Governments annual priorities and required additional financing are assessed (see Schema 8). During consideration of new policy initiatives at the first stage, Government can provide with requests for further development of policy until beginning of the budget process (to develop programme, plan, etc.).

Before start of the budget planning and consideration of new policy initiatives as part of the budget process, the Ministries have to undertake assessment of all new policy initiatives approved through the past year and rank them into priority order submitting this ranking to the Cabinet of Ministers. Ministries can undertake also evaluation of each individual submitted policy initiative defining priorities within them and their cost.

Before start of overall budget planning it is possible to approve financing for new policy initiatives only as part of the annual budget amendments and from the budget of institution that proposed that initiative.

Schema 8: Linking of budget planning to approval of new policy initiatives

* Inter-sectoral policy programmes can be new policy initiatives.
** New policy initiatives after their approval in the budget process are included in Institution Action Strategies ant that corresponds to budget programmes of an institution.

If required, Government can ask for a more detailed implementation plan of policy initiative.

6.1.1.2. Procedure for approval of new policy initiatives within the budget process

Evaluating policy documents included in *the Register of New Policy Initiatives* sets the annual budget priorities. It is done in parallel with deciding on the amount of the *Budget's Development part*[7] at the beginning of budget planning process. Requests for additional financing for new policy initiatives from the State Budget are evaluated by considering them according to criteria for evaluation and selection of budget priorities,

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[7] Budget's Development part – expenditure part of the State Budget set for financing priorities of Government. It is determined by subtracting the amount of the budget base (in the future *minimal base*) from the total State Budget expenditure (total spending ceilings). When approving so called expenditure control figures, the Budget's Development part which results from programme review will not be known, yet. For more detail see Government's Methodology Guidelines for the Medium Term Budget Planning.

which have been approved by the Cabinet of Ministers, and by considering whether there is a necessary legal base prepared for new policy initiative and whether there is a partial co-financing from respective Ministry (within limits of existing budget by reviewing budget programmes). The process and detailed procedure for setting of the budget priorities are set out in the *Methodology Guidelines for the Medium Term Budget Planning* approved by the Cabinet of Ministers.

Before introduction and use of *Institution Action Strategies* in the process of budget planning all new policy initiatives can pretend to be financed from the *Budget's Development* part. After introduction of *Institution Action Strategies* only those new policy initiatives can pretend to additional financing that correspond to objectives and directions of development of the medium term budget set by Government.

Approved new policy initiatives are included in *Institution Action Strategies* that are used for the budget application by an institution. If initiative that has been approved for financing is an inter-institutional policy document, measures and their financing are included in the *Institution Action Strategies* of respective institutions. In this case, accountability needs to be provided through the framework of both the Institution Action Strategy and approved programme (and/or guidelines). In case when not of the entire programme gets financed, then only those measures and results of programme are included in *the Institution Action Strategy* that have been financed.

6.1.3. Further activities

1. The procedure for submitting and approval of new policy initiatives needs to be set out in the new version of the *Cabinet of Ministers Regulation of the Internal Order and Procedure of the Cabinet of Ministers* according to *Policy Planning Guidelines* and *Methodology Guidelines for the Medium Term Budget Planning*. The Regulation will become effective from January 1, 2002;
2. The timeframe for preparation of the State Budget needs to include the stage for approval of new policy initiatives;
3. When submitting new policy initiatives to Government, the proposals need to be accompanied with information about related non-financed legislative acts and policy documents, their status, as well as proposals for further activity.

6.2 The system of strategic planning in institutions

Problem statement

Institution Action Strategy[8] is a medium-term (five years) planning instrument for institutions of public administration that covers and provides with analysis of status of already approved policy initiatives, sets priorities and objectives, and plans for new policy initiatives providing with linkage to the State Budget. Policy and priority changes are planned within the strategy. Newly approved policy programmes, performance measures and financing are included in the strategy.

Strategic planning within institutions is a way of integrating policy planning, budget preparation and management of policy implementation:
- within Ministries;
- between Ministries;
- between Ministries, their agencies and other subordinated institutions;
- between various levels of policy planning and accountability in Government.

Accountability for policy results to Government is ensured within the framework of institution action strategy.

In Latvia, up to now there is no unified planning system integrating various approaches to policy and budget planning. Therefore often there is a duplication of both policy planning and reporting thus creating uncertainty about policy objectives and financial realities.

6.2.2. Introduction of institutional strategic planning system

6.2.2.1. Introduction of Institution Action Strategies

Institution Action Strategy:

- defines medium-term objectives and directions of development within sector, all corresponding ministry's programmes and sub-programmes, and their financing according to priorities approved by Government;
- gradually ensures integration of policy and budget programmes. At the moment policy programmes that are approved by Government are separate from the Ministry budget programmes. One of the medium-term tasks of *Institution Action Strategies* is to achieve the situation where ministry budget programmes correspond to their policy programmes;
- is developed for five years. However, preparation and evaluation of *Institution Action Strategy* is annual process proceeding according to the medium term budget planning cycle;
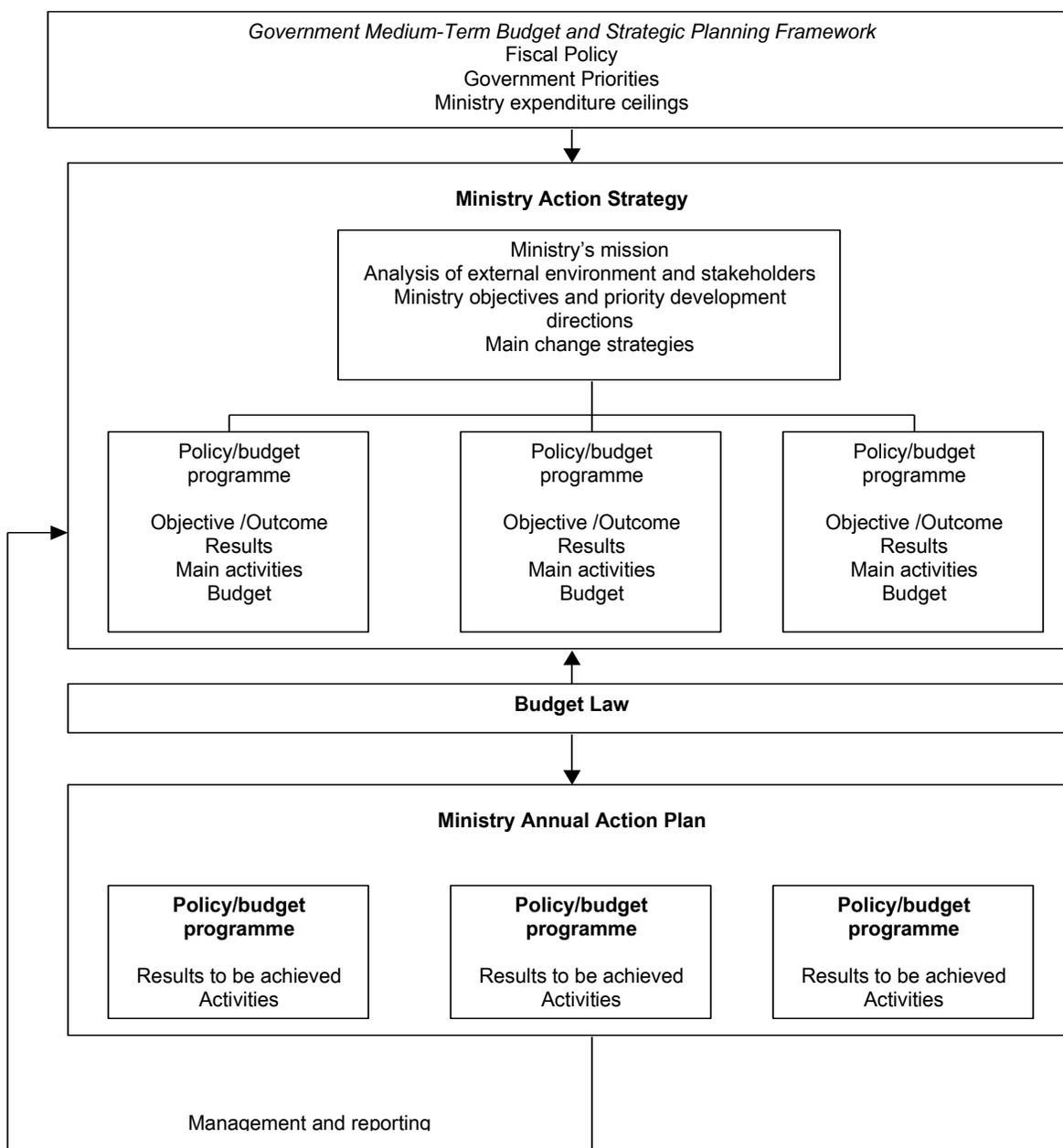
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[8] Strategy – according to this paper it is the document for planning and managing work and financing of organisation (both Government as a whole and separate public sector institutions). It is aimed at achieving objective and priorities of that organisation. Strategy by its structure corresponds to a programme.

❑   is approved by Cabinet of Ministers for five years.

Institutions need to undertake analysis of their external environment, functions and policy areas before preparation and introduction of *Institution Action Strategy*. The objective of such analysis is to recommend more optimal location of resources, optimisation of functions – their possible privatisation or contracting out.

Annual Business Plan[9] is developed for implementation of *Institution Action Strategies*. The basic structure of Ministry *Action Strategy* and its relation to *Annual Business Plan* are presented in schema 9.

Schema 9: The system of strategic planning in institutions

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┌─────────────────────────────────────────────────────────────────┐
│        Government Medium-Term Budget and Strategic Planning       │
│                            Framework                              │
│                          Fiscal Policy                           │
│                       Government Priorities                       │
│                   Ministry expenditure ceilings                  │
└─────────────────────────────────────────────────────────────────┘
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Ministry Action Strategy

Ministry's mission
Analysis of external environment and stakeholders
Ministry objectives and priority development directions
Main change strategies

Policy/budget programme	Policy/budget programme	Policy/budget programme
Objective /Outcome Results Main activities Budget	Objective /Outcome Results Main activities Budget	Objective /Outcome Results Main activities Budget

Budget Law

Ministry Annual Action Plan

Policy/budget programme	**Policy/budget programme**	**Policy/budget programme**
Results to be achieved Activities	Results to be achieved Activities	Results to be achieved Activities

Management and reporting

Initially planning of results for institutions under subordination of Ministries is included within *Institution Action Strategy*[10]. Both budget programmes and sub-programmes included within the Action Strategy can be either fully or partially managed by institutions under subordination of the Ministries (agencies). Performance of subordinated institutions is reported in Ministry Annual Reports, which correspond to results foreseen in *Ministry Action Strategy*.

Institution Action Strategies are prepared according to assessment of available resources - within indicative budget ceilings (base). Institutions can undertake re-evaluation of existing sector priorities and policy results, changing financing accordingly[11]. It follows that financing of priorities within sectors is undertaken within limits of initially approved budget.

In the same time, the estimated initial amount of financing for new policy initiatives can be included in *Institution Action Strategy*. For example, ministries can pretend to additional financing of policy initiatives within the annual budget planning cycle if those initiatives correspond to priority objectives and development directions of the medium term budget approved by Government and if there is money available for that in the Budget, as well as if the Ministries can support the proposal with analysis of benefits obtained from additional financing.

Institution Action Strategy is planned within approved initial financing, however, the effect of required additional financing of concrete policy can be shown, too. Within the Strategy that acts as the basis for budget proposal (is submitted to Government at the beginning of each annual budget planning process), the financing of a particular policy according to approved initial amount must be clearly separated from additional needs. *Institution Action Strategy* and its financing are updated during the budget process according to Government's decisions on budget priorities and *Development Part of the Budget*.

Non-financed policy initiatives are evaluated and proposals for further action prepared as part of the process of preparing *Institution Action Strategy*.

At the political level of Government the principles of strategic planning are introduced with *the Government Action Strategy* (see section 5.1.2.). *Institution Action Strategies* and Annual Business Plans after their introduction in the whole of public administration would replace the current *Ministry Action Plans for Implementation of Government's Declaration*.

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[10] The agency Law foresees that agencies prepare *Agency Medium Term Work and Development Strategy*.
[11] With Government's approval.

6.2.2.2. Introduction of Ministry Annual Business Plans

Ministry Annual Business Plans set out concrete activities for implementation of objectives, directions of development and results defined in *Institution Action Strategy*. Outlined activities are accompanied with information regarding timing and responsible bodies for implementation of those activities.

Annual Business Plans are developed after approving the Annual Budget Law. Only those activities for which the financing has been secured are included in *Annual Business Plans*.

6.2.3. Further activities

1. To implement the strategic planning pilot project within the Ministry of Agriculture;
2. As part of the Ministry of Agriculture strategic planning pilot project, to prepare proposals for improving financial management in the context of strategic planning system;
3. After completion of the strategic planning pilot project within the Ministry of Agriculture, to prepare methodology guidelines for introduction of strategic planning and setting of performance measures in institutions of public administration.

7. Policy assessment and accountability

To improve the system of policy evaluation and accountability *the Guidelines* foresee:

❑ to strengthen *ex-ante* assessment of new policy initiatives;
❑ to develop policy *ex-post* evaluation;
❑ to improve the system of annual reports of public sector institutions.

The solutions proposed in this chapter of *the Guidelines* are supporting implementation of the following principles in policy planning - t*he principle of participation* and *the principle of accountability*.

7.1. Problem statement

Assessment of new policy initiatives is a process, where likely impact of particular policy instruments foreseen for achieving the new policy objectives is assessed. The conclusions from the analysis of expected policy impact are the basis for deciding on use and improvement of a particular policy instrument.

Impact assessment of new policy initiatives is used to achieve the following objectives:

❑ improve the quality of information required for decision-making;
❑ improve the effectiveness of Government's work;
❑ improve legal environment by avoiding regulatory measures that create "unnecessary" burden on different social groups.

Assessment of new policy initiatives was started in October 1998, by approving changes to Saeima's (Parliament's) Internal Procedure Act that required that all submitted draft laws are accompanied by annotation, and provided with questions that need to be answered by body submitting a draft law.

The existing *Regulation of the Cabinet of Ministers on Internal Order and Procedure of the Cabinet of Ministers* does not include provision for preparation of annotations for both draft Cabinet of Ministers regulations and policy planning documents. As a result of that, there are cases when documents are approved without assessment of expected impact of policy, although its influence on a particular sector of economy or social issue is substantial. This creates initially unforeseen problems during policy implementation process.

Current annotations are dominated by subjective approach and evaluation, as after approval of overall norms requiring impact assessment there is no *unified methodology and criteria of prognosis* developed in specific areas that would help the Ministries to carry out qualitative assessment of new policy initiatives.

Although in the Ministries, there are various cooperation and consultative councils within which the Ministry position is coordinated with interests of social partners, often the documents are submitted to the Cabinet of Ministers without proper reflection of the opinion of non-governmental organisations.

Policy evaluation is undertaken to evaluate the progress achieved during implementation phase of policy or programme. Progress is evaluated against objectives and tasks proposed during policy or programme planning stage. During policy implementation, it is evaluated to what extent expected results are achieved, what is cost effectiveness of policy implementation, whether chosen policy instruments continue to be relevant, and whether policy changes are required. Accountability to Government for achieving results of new policy initiatives primarily is ensured through the framework of *Institution Action Strategies*.

Policy evaluation objectives are similar to policy impact assessment objectives:

❑ to ensure accountability for policy implementation and use of the Budget resources;
❑ to improve quality of information required for decision making, deciding whether there is policy change required;
❑ to improve the quality and effectiveness of policy instruments used;

At present, policy evaluation is not widely used in the public administration. Most often evaluation of a policy is partially undertaken when preparing new conceptual document. There is no clear and unified procedure in place for evaluation of effectiveness of policy and accountability for results achieved.

By developing strategic planning system and practice in the public administration, the *Institution Action Strategies* of the Ministries and other public sector institutions will play important role in policy planning and evaluation. Annual reports is one of the instruments that ensure accountability for results delivered by the Ministries and effectiveness of use of resources, and cost efficiency.

The existing Cabinet of Ministers Regulations determines that the Ministries report mainly about their functions and organisational structure. Within the Annual Reports, there is a lack of qualitative information about objectives and priorities of the Ministries, their policy programmes and results that are achieved within those programmes, as well as about cost of the programme results.

7.2. Improving the system of policy assessment and accountability

The system for impact assessment of new policy initiatives and for evaluation of policy implementation can be improved by working in the following directions:

❑ **Improving methodology for impact assessment of legislation**.

For instrument of new policy impact assessment to work effectively, the responsible Ministries will have to undertake evaluation and control of relevant parts of annotations for legal acts. The State Chancellery needs to undertake an overall coordination and control of annotations. The Instruction for Preparation of Annotations for Legal Acts has been prepared. The School of Public Administration based on the approved Instruction needs to prepare and carry out the training programme for preparation of annotations. This training programme needs to be undertaken by ministry staff that work with preparation of legal acts and policy documents.

- **Increasing the role of non-governmental organisations in the process of discussing new policy initiatives**.
  At present, there is no requirement for reaching agreement with social partners[12] before submitting policy planning documents to the Cabinet of Ministers, although a public discussion during policy conceptual preparation stage is more important than during preparation of specific legal acts.

- **Improving accountability for policy results**.
  In order to improve accountability for policy results it is necessary to introduce a system for evaluation of policy implementation consisting of such elements as policy self-evaluation, evaluation of policy results by involving peers from other ministries, as well as evaluation of policy results by involving independent experts with the help of so called "fundamental reviews"[13].

  According to the *Methodology Guidelines for the Medium Term Budget Planning* the Secretariat of Minister of Special Tasks in Public Sector Reform and the Ministry of Finance have prepared so called "fundamental review" methodology with which analysis of policy areas will be undertaken according to a concrete plan. In contrast with policy self-evaluation and involvement of other ministries in evaluation of some sector specific policy, the "fundamental review" approach is oriented towards such policy areas that involve several ministries, for example, regional policy.

- **Improving structure and contents of Annual reports of institutions.**
  The system of Ministry Annual Reports of the Ministries and other public sector institutions can be improved by linking it to strategic planning, that foresees greater orientation towards results. In order for Annual Reports of institutions to become oriented towards analysis of achieved policy results as much as possible, the format of Annual Reports must be adjusted to the format of *Institution Action Strategies*.

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[12] Social partners can be any organised structure of civil society that is interested in a particular policy issue.

[13] Fundamental review – in the context of this document it is a review of Government's policy (including institutional system) in a specific area with an aim to provide with recommendations about improving objectives, directions of development and implementation mechanisms of a policy. According to the decision of the Cabinet of Ministers the Secretariat for the Minister of Special tasks in Public Sector Reform jointly with the Ministry of Finance and the State Chancellery (PCD) needs to prepare and submit to Government the methodology and plan for review of budget programmes and functions.

7.3. Further activities

In order to improve assessment quality of new policy initiatives, as well as to strengthen accountability for policy results, it is necessary to undertake the following measures:

1. To approve the Instruction of the Cabinet of Ministers for Preparation of Annotations;
2. When preparing the new Cabinet of Ministers Regulations on the Internal Order and Procedure of the Cabinet of Ministers:
   - ❑ to foresee control mechanisms for ensuring quality of annotations for legal acts;
   - ❑ to include the norm that requires to add the information regarding consultations with non-governmental organisations to the policy planning documents submitted to Government;
   - ❑ to foreseethea procedure for accountability for implementation of policy documents;
   - ❑ to include a norm that ensures placing policy planning documents in Internet before their submission to the Cabinet of Ministers;
3. The State Chancellery to include within *Methodology for Policy Making* suggestions for policy impact assessment and policy evaluation in relation to policy planning documents[14];
4. The school of Public Administration, based on *Methodology for Policy Making* developed by the State Chancellery, to prepare a training programme about principles of policy impact assessment and evaluation of policy results. Such a training programme needs to be undertaken by ministry staff working with policy planning and drafting of legal acts;
5. The School of Public Administration to prepare and to carry out a training programme about preparation of annotations and methods for policy impact assessment
6. Within Plan for "Fundamental Reviews" to foresee that priority areas for carrying out such reviews are the ones that correspond to Government's medium term budget objectives and directions of development;
7. After completion of the strategic planning pilot project within the Ministry of Agriculture, the State Chancellery, the Ministry of Finance and the Secretariat for Special Assignments in Public Sector Reforms to prepare new Cabinet of Ministers regulations about Annual Reports of public sector institutions ensuring correspondence of formats between annual reports and *Institution Action Strategies*.

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[14] In January 2002 the work will be started to prepare *Methodology for Policy Making*. This task will be undertaken jointly between the UN Development Programme in Latvia and the State Chancellery. It is also *Public sector Reform Strategy 2001-2006* that foresees development of such a methodology.

8. Results and indicators of achievement of *the Guidelines*

As a result of implementing the Policy Planning Guidelines, the following will be improved:
- quality of policy initiatives;
- link between policy planning and budgeting;
- policy evaluation and accountability.

Achievement of the results of the Policy Planning Guidelines will be measured by way of a qualitative research one or several times. Table below represents the indicators of achievement for results of these Guidelines.

1st result: improved quality of policy initiatives

Achievement of the results is indicated by:
- Policy initiatives are prepared according to the structure of policy planning documents outlined in section 5.2 of these Guidelines;
- Concepts are prepared and approved in the Cabinet of Ministers before preparation of legal acts;
- There is qualitative information available to a wider society about policy areas (is this policy area Government's priority, what are policy objectives, what programmes exist, what is the progress of their implementation, financing).

2nd result: improved link between policy planning and budgeting

Achievement of the results is indicated by:
- The Government's Action Strategy if financially realistic and is implemented;
- Additional financing is provided for policy initiatives that correspond to Government's medium term budget objectives and directions of development;
- Draft policy initiatives and normative acts have qualitative assessment of the impact on the State Budget;
- The amount of non-financed policy initiatives (including normative acts) reduces;
- Institution Action Strategies are used in the budget process as the main source of information about the budget programmes;
- Policy programmes correspond to budget programmes.

3rd result: improved policy evaluation and accountability

Achievement of the results is indicated by:
- Impact assessment of policy initiatives and draft normative acts is qualitative;
- Ministry research funded by the State Budget is used for policy analysis (problem analysis, impact assessment, evaluation of policy evaluation).

9. Assessment of impact of *the Guidelines* on the State Budget

Implementation measures of the *Policy Planning Guidelines* do not require direct increase of expenditure within the State Budget. By consequently implementing measures foreseen in the Guidelines, for example the procedure for approval and financing of new policy initiatives, a better fiscal discipline and more optimal budget planning can be predicted. Expenditure related to training foreseen in the *Guidelines* needs to be met through programme restructuring by the School of Public Administration.

In the future, by gradually implementing results oriented management system the amount of resources required for policy analysis and evaluation will increase.

10. Procedure for reporting and evaluation of *the Guidelines*

Reporting on implementation of *Policy Planning Guidelines* is annual. The State Chancellery, based on information provided by the Ministries, prepares a report about implementation of the Guidelines and submits it to the Cabinet of Ministers once a year before 1st of December. The objective of the report is to inform the Cabinet of Ministers about both implementation of objectives and tasks set in the Guidelines, and necessity of revision of the Guidelines.

Preparation of the *Policy Planning Guidelines* is also foreseen by the *Implementation Programme of the Public Administration reform Strategy (PARS) 2001-2006* and by World Bank's conditionalities matrix of the *II Programmatic Structural Adjustment Loan (*PSAL II). The State Chancellery is responsible for incorporation of information about preparation and implementation of *Policy Planning Guidelines* within progress reports of both PARS Implementation Programme and PSAL II.

11. Measures and changes to normative acts required for implementation of *the Guidelines*

Deficiency	Activity direction	Initiative proposed for elimination of deficiency	Implementation timeframe
Un-adequate normative regulation of preparation, actualisation, replacement, and abolishment of policy documents, their hierarchy and coordination	▪ Establishing instruments (documents) for policy planning ▪ Hierarchy and coordination of policy planning	▪ The new version of the Cabinet of Ministers Regulation of the Internal Order and Procedure of the Cabinet of Ministers sets types of policy planning documents according to the *Policy Planning Guidelines*; ▪ The Cabinet of Ministers Regulation of the Procedure for Preparation and Implementation of National Programmes (Nb.129) are voided; ▪ Ministries submit proposals for actualisation and classification of policy planning documents; ▪ After receiving information from the Ministries, the State Chancellery develops the database of policy planning documents according to the types of documents foreseen in the Guidelines.	01.11.2001 01.11.2001 01.02.2002 End 2002
Input orientation dominates in the approach to preparation of Government's Declaration and the Ministry Action Plans	▪ Preparation of Government's Action Strategy	▪ The Policy Coordination Department of the State Chancellery prepares the Government's Action Strategy and submits to the Government; ▪ A strategic planning system for institutions is implemented in all the Ministries; ▪ The Policy Coordination Department of the State Chancellery prepares Methodology Guidelines for Preparation of Institution Action Strategies; ▪ The School of Public Administration implements the training programme for employees of public administration about strategic planning and results oriented management.	April 2002 29.12.2006 31.12.2002 3 months after completion of the initiative above
Undeveloped policy impact assessment	▪ Policy impact assessment and evaluation of	▪ The Instruction for Preparation of Annotations for Legal Acts is accepted; ▪ The School of Public Administration, based	01.10.2001 3 months after

	implementation	on the Instruction accepted by the Cabinet of Ministers, prepares and implements the training programme about preparation of annotations;	completion of the initiative above

		▪ The new Cabinet of Ministers Regulation of the Internal Order and Procedure of the Cabinet of Ministers sets:
		  o The institutional mechanism for quality assurance of annotations for legal acts;
		  o Initial impact assessment mechanisms for policy planning documents;
		  o Reporting mechanism about implementation of policy documents;
			01.11.2001

		▪ The Policy Coordination department of the State Chancellery prepares the Methodology for Policy Making, including recommendations for impact assessment of guidelines, programmes and plans;	01.11.2002
		▪ The School of Public Administration, based on Methodology prepared by the State Chancellery, prepares and implements training in policy assessment.	3 months after completion of the initiative above
Planning of policy and legislative initiatives often is disjointed from analysis of financial constraints	▪ Setting of procedure for approval of new policy initiatives	▪ The procedure for submission and consideration of new policy initiatives is set in the new version of the Cabinet of Ministers Regulation of Internal Order and Procedure of the Cabinet of Ministers;	01.11.2001
		▪ The Ministry of Finance includes the stage for consideration of new policy initiatives and annual budget priorities within the timeframe for preparation of the 2003 State Budget.	
The mechanism for revision of sectoral priorities and optimisation of financial resources to support achievement of strategies objectives is not	▪ Improving strategic planning within institutions	▪ The State Chancellery, The Ministry of Finance and the Ministry of Agriculture implements the strategic planning pilot project in the Ministry of Agriculture;	29.11.2002
		▪ The medium term strategic planning system is implemented in all the Ministries.	29.12.2006

developed			
Undeveloped mechanism of accountability for policy-making and implementation	▪ Transition to measurable indicators of policy implementation in public administration; ▪ Accountability for results	▪ The Ministry of Finance together with the Policy Coordination department of the State Chancellery prepares the Guidelines on the System of Performance Measures; ▪ After approval of the Guidelines on the System of Performance Measures, the School of Public Administration prepares and implements the training programme about strategic planning and results oriented management for employees of public administration.	01.09.2002 3 months after completion of the initiative above