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FOCUSING ON PRIORITY GOALS: STRATEGIC PLANNING IN LITHUANIA, 2000 - 2004

SYNOPSIS

When Andrius Kubilius became prime minister of Lithuania in November 1999, he faced dual crises. Russia's economic crash a year earlier had thrown Lithuania's economy into a tailspin, and the government was in danger of losing its ability to borrow on international financial markets after running a large deficit the previous year. Furthermore, the European Commission had informed Lithuania that the country was falling short in its efforts to join the European Union (EU)—a key element in the Baltic state's economic and political future. Kubilius' government devised a plan to manage those crises, but systemic weaknesses in the center of government made it difficult to execute the agenda. The government was unable to ensure that line ministries set aside pet projects, was focused on supporting the goal of EU accession, and was unable to channel the government's diminished resources to the most important projects. To address these challenges, Kubilius instructed State Chancellor Petras Auštrevičius and Government Secretary Algirdas Šemeta to reform the policy planning process to focus ministries on EU accession and other strategic goals, and to synchronize the budget and policy planning processes so that government spending flowed more reliably to where it was most needed. With less than a year until elections that were widely expected to bring in new leadership, Auštrevičius and Šemeta implemented reforms that put Lithuania back on track in negotiations to join the EU and back on its feet financially. Successive governments led by Lithuania's other major political parties helped sustain and institutionalize the early gains.

Jonathan Friedman drafted this case study based on interviews conducted in Vilnius, Lithuania, during January and February 2012. Case published May 2012. A separate case study, "Improving the Quality of Decision Making: Fighting Reform Fatigue in Lithuania, 2006 – 2012," deals with later efforts to engage ministries in strengthening strategic planning.

INTRODUCTION

When Lithuania began accession negotiations with the European Commission in 2000, there was no question that public officials would have to change the way they worked. Petras Auštrevičius, newly appointed state chancellor and a chief adviser to the prime minister, recalled: "2000 was the breaking point. … We didn't create any possibility for outsiders to think there was an alternative [to reform]. There was no alternative: this government will make things different, so get ready." The Chancellery and the Government Office—the two agencies that managed the policy planning system at the center of government, in support of the prime minister—had to demonstrate that Lithuania's policy planning system was modern and suitable for EU integration. Elections were just months away, and Lithuanians, upset with the country's recent economic performance and eager for change, looked likely to unseat Prime Minister Andrius Kubilius and force the creation of yet another unstable coalition government. "We were pretty behind the core group of negotiating countries," Auštrevičius said. "We had to establish certain momentum to catch up."

Lithuanians had begun the previous decade on an upbeat note. In March 1990, the country became the first Soviet republic to declare independence. It joined the United Nations in September 1991. Lithuania's overarching policy goals were to build economic, political and military ties with Western Europe by joining the European Union (EU) and NATO.

However, Soviet-era administrative structures hobbled Lithuania's efforts to join the EU. Line ministries had been designed to implement directives from central planners in Moscow. With the fall of the Soviet Union, the Lithuanian government lacked mechanisms for setting policy priorities and ensuring that projects got funded and implemented. In July 1997, the European Commission cited these weaknesses in its announcement that it would fast-track accession negotiations with Estonia—Lithuania's Baltic neighbor, which had impressed the commission with its responsible fiscal policies—but not with Lithuania. The news shocked Lithuanians, who had counted on EU membership to open an era of prosperity for their country.

Lithuania's shifting political winds had prevented previous administrations from making substantial changes in the structure and culture of government. By law, the president was directly elected every five years, and the prime minister—typically the leader of the party that received the largest share of votes in parliamentary elections—was nominated by the president and approved by Parliament. If the prime minister's party did not receive a majority of votes, the prime minister had to form a coalition government with other political parties. From 1991 to 2003, Lithuanian governments, all based on coalitions, lasted an average of 446.9 days in office, compared with an average of 582.5 days for Eastern and Central European countries and 636.7 days for Western European countries. The fragmentation of political parties in Lithuania's governing coalitions and the division of power between the prime minister and the directly elected president contributed to government instability and inhibited effective policy implementation.[1]

Adding to the sense of urgency, economic growth in the mid-1990s gave way to recession in 1998 and 1999. Lithuania's economy, shaped by Soviet-era central planning, was highly industrialized and designed to manufacture goods for export to Soviet bloc countries. After the 1991 Soviet breakup, the Russian economy struggled. When Russia defaulted on its loans in 1998 and its demand for imports plunged, Lithuania's gross domestic product fell to two-thirds of its pre-independence level. Substantial deficits at the end of the decade raised doubts about the government's continued ability to borrow on open markets.

When Kubilius took office as prime minister in November 1999 at age 42, he pledged to accelerate the adoption of laws and regulations required for entry into the EU. An experienced politician, he was head of the conservative

Homeland Union party and had been an early member of Lithuania's pro-independence Sajūdis movement. He realized his own office had to change its practices in order to compel line ministries to draft those laws in a timely fashion and move them through the Cabinet. Kubilius assigned his deputies—Auštrevičius and Government Secretary Algirdas Šemeta, who administered Cabinet affairs—to design and implement reforms. During 2000, the two instituted fundamental changes in the way government developed, coordinated and implemented policies, and they helped pave the way for Lithuania's accession to the EU in 2004.

THE CHALLENGE

Auštrevičius and Šemeta, both of whom were 37 years old at the time, had government experience that helped them understand the challenges of fixing problems previous governments had identified but failed to address. Auštrevičius had served as director general of Lithuania's European Committee, which coordinated the country's work toward EU accession. Šemeta was a former finance minister.

Top-level coordination represented a significant problem: Ministries often ignored the government's most important policy goals. Ministries submitted action plans and draft laws for projects that their ministers promoted for their own purposes, or they devoted time and money to ongoing work that had little relevance to Lithuania's broader needs.

Another issue involved foot-dragging: the ministries' seeming inability—or lack of commitment—to get things done on time. A survey produced for the World Bank in 1999 and 2000 found that Lithuania's ministries frequently submitted time-sensitive policy proposals months after their target deadlines. Approximately 40% of EU accession draft laws introduced by line ministries in 1999 were submitted more than six months after their target dates.

In addition, Cabinet meetings, which should have focused on strategic deliberations and major policy decisions, often devolved in discussions of relatively trivial matters. The World Bank survey found that Cabinet discussions frequently bogged down on minor topics rather than tackling major issues. And the Cabinet spent less than half its time—just 43%—discussing priority policy items and spent nearly the same percentage of time—38%—on technical matters, most of which could have been resolved at lower levels. With budget cuts looming in 2000 due to the difficult economic circumstances in Lithuania, it was more important than ever for the government to communicate and protect the priority items on its agenda.

Another problem involved a disconnect between what line ministries wanted to do and how much their proposals would cost: Policy-making decisions and budgeting decisions were separate. Instead of devising policies and projects based on the resources available for implementation, ministries often submitted budget requests that were wildly unrealistic, and they concocted policies without knowledge of the policies' financial feasibility. The Ministry of Finance allocated budgets without knowing exactly how ministries would use the funds and whether ministries' proposals supported the government's broader aims and goals.

Previous governments were aware of those weaknesses but failed to correct them. In 1997, when the European Commission submitted recommendations for improving Lithuania's administrative operations, the government of Prime Minister Gediminas Vagnorius took no action to address weaknesses in policy planning. Klaudijus Maniokas, a member of Lithuania's European Committee, explained that the government at the time chose to try to refute the commission's findings rather than accept the criticism and make the necessary changes. In November 1999, Kubilius took office after two prime ministers had resigned in the span of a year. He had a clear understanding of the problems facing his government and was intent on succeeding where his predecessors had failed.

FRAMING A RESPONSE

Kubilius started with a clear idea of what had to be done. He knew he had to organize his support and build an administrative structure to design and implement formal procedures that would force ministries to focus on priority policies and link the policy and budget planning processes.

To help him think about how to improve the policy planning process, Kubilius turned to a technical assistance project in the Ministry of Public Administration Reform and Local Authorities. Since 1998, Canadian project consultants had worked with the ministry to introduce strategic planning and improve Lithuania's planning and budgeting systems, but the effort had lacked political support. The partnership with the Canadian government developed from the suggestion of a Lithuanian-Canadian who had worked for the Ontario government. While he was first deputy speaker of Parliament, Kubilius had interacted with Canadian consultants from the project. He had visited Canada on a study tour and had admired the Ontario government's efficiency. He felt strongly that Lithuania's poor policy management system impeded progress toward EU accession and other goals, and he wanted to create a similar policy structure tailored to the Lithuanian context.

In January 2000, the prime minister invited Šemeta and two of the Canadian consultants to his house. At the meeting, Kubilius made it clear that he wanted to implement a policy management model similar to Ontario's and that he wanted to do so across government without delay, according to Gordon Evans, one of the Canadian consultants who attended the meeting. After the meeting, Kubilius and Šemeta moved quickly to establish a reform unit and, recognizing that the unit needed a higher profile and greater political clout to deal effectively with ministries, moved the operation into the Government Office directly under Šemeta.

Building the team

Kubilius recognized the need for an umbrella organization—under his control—that would bring together disparate government officials in a common cause. He appointed Auštrevičius to lead a strategic planning working group that would include representatives of key central agencies and selected line ministries. Kęstutis Rekerta, head of the reform unit, and the Canadian consultants also would serve in the group.

Kubilius and Auštrevičius carefully selected the other members of the working group to ensure key ministries bought into reforms at the highest levels. Aware that they needed active support from the Ministry of Finance to reform the budget process, they asked the finance minister to assign the vice minister in charge of budgetary issues to the working group. Auštrevičius said the vice minister initially was uncertain about the merit of the effort but became more enthusiastic when he realized the idea was to form an alliance between the Ministry of Finance and the prime minister that would force line ministries to be financially responsible. Aiming to head off possible opposition to reforms, Kubilius and Auštrevičius also recruited officials from the Ministry of Defense. The ministry had developed its own strategic planning system years earlier as part of the NATO accession process, and some defense officials had expressed concern that a new strategic planning format would undermine their work.

Initial deliberations

In 2000, the strategic planning working group met regularly from January until April, when Lithuania's budget process began and the institutions supporting reforms had to be in place. Although group members studied policy management models in the United Kingdom, the United States and New Zealand, they often came back to the Canadian model. Reform unit chief Rekerta said, "The system we implemented is the result of research. The experts discussed several models from the United States or United Kingdom and others; every discussion was comparative. But the dominant model was [the] Canadian [model]."

The working group had to take into account certain differences in administrative culture between Lithuania and the other countries in adapting the planning model. For example, because Lithuanian civil servants understood their job responsibilities as precisely defined by law, the group knew it would have to eventually buttress reforms with legislation.

The group also drew from the planning methodology developed by Lithuania's European Committee, formerly led by Auštrevičius. This unit had recently moved from the Ministry of Foreign Affairs to the Chancellery, where it could work more easily with ministries in charge of domestic matters. Auštrevičius enlisted Maniokas from the European Committee for the working group and asked others to contribute informally.

A system for planning

The working group designed a strategic planning system to compel ministries to implement the government's priority policies and make sure the policy and budget planning systems worked hand in hand. On Kubilius' recommendation, the government established a six-person Strategic Planning Committee, chaired by the prime minister, with the minister of finance as vice chair. The committee would oversee the priority- and budget-setting processes and review major policy issues. Šemeta used his weekly meetings with top civil servants from all

Table 1. Key Reform Units

Name	Structure	Mandate
Strategic Planning Committee	Six-person subcommittee chaired by prime minister, minister of finance as vice chair	Set annual strategic goals, negotiate priorities with ministers, and review major government policies
Strategic Planning Working Group	Interministerial working group led by State Chancellor Petras Auštrevičius	Design planning system to focus ministries on priority goals and to link policy and budget processes
Strategic Planning Unit	Small unit in the Chancellery led by Kęstutis Rekerta	Coordinate strategic planning process, review ministry strategic plans to ensure their focus on priorities, and advise the prime minister accordingly
Reform Project, Ministry of Public Administration Reform and Local Authorities	Unit led by Kęstutis Rekerta, before he moved to the Chancellery in 2000	Design and implement strategic planning system (until establishment of Strategic Planning Unit)

line ministries to communicate the role and the import of the committee and the new planning procedures. The government also set up a small Strategic Planning Unit in the Chancellery to implement and manage the planning process, and appointed Rekerta as its director.

The working group identified other components that were part of the more advanced strategic planning systems they studied, such as project evaluations and functional reviews, but members of the group felt they had to focus more narrowly, given their short time frame. Auštrevičius recalled, "We knew we couldn't override the whole system in the time we had, so we chose what we thought was most needed. … Better to start with something than spill your efforts on many parts and many fields and accomplish very little in the end." The key reform units designed by the working group are outlined in Table 1.

GETTING DOWN TO WORK

Beginning in early 2000, Auštrevičius, Šemeta and Rekerta had to move quickly to communicate the government's reform strategy, develop the necessary administrative structures, and try to institutionalize reforms before a likely change in political leadership just months away. Doing so required (1) drawing sharp distinctions between what needed to be done immediately and what could be left for later, (2) cementing a tight bond between policy goals and budgeting, and (3) making sure Cabinet members concentrated their ministries' efforts on the appropriate policies and legislation.

Focusing on priorities

Auštrevičius proposed a set of incentives in the planning process to encourage ministries to implement the government's priority policies. Previously, line ministries had set their own courses without reference to the prime minister's agenda. "Our approach was different," Auštrevičius said. "Ministries should be given tasks based on our priorities and then asked to perform accordingly."

In March 2000, Prime Minister Kubilius led a priority-setting exercise through the newly established Strategic Planning Committee. The goal was to identify a narrow set of priorities that he could easily communicate to the rest of government and to the public. Kubilius proposed strategic goals and deliberated with other members of the committee, which included several influential ministers. They decided on five strategic goals for the coming year: to restore economic growth, promote EU accession, move toward NATO integration, improve revenue collection, and expand the use of technology in government as part of Kubilius' "information society" initiative. The committee also approved 52 related action items. Helped by the endorsement of the ministers who served on the committee, Kubilius easily received the Cabinet's approval for the strategic goals.

Although the strategic planning system required ministries to plan and work toward the five strategic goals, Kubilius introduced an additional incentive. He had informed ministries of impending budget cuts intended to reduce the government's deficit. From those savings, he set aside US$25 million to fund the five priority areas, before instructing the Ministry of Finance to determine budget ceilings for line ministries. Ministries that could demonstrate how they would contribute to the government's most important goals would be rewarded with reserved funds. Although the sums were modest, it was the first time Lithuania had earmarked funds specifically for its priority goals.

In subsequent years, the government no longer set aside funds, but the committee still met at key points in the decision-making process to discuss policy priorities and with line ministers to review their budget proposals. Rekerta's planning unit, which managed the strategic planning system, also reviewed ministerial plans to ensure their priorities were aligned with those of the prime minister.

Linking policy and budget planning

After clarifying the government's top objectives, the committee had to make sure ministerial plans aligned with budget allocations for the coming year and reflected the government's priorities. In 1998, the finance ministry, led by Šemeta, introduced a rudimentary program-budgeting system that laid some of the groundwork for the new planning system. Under that framework, the Ministry of Finance allocated resources by programs, which could number more than 10 per ministry and were administered by appropriations managers. But although program managers were required to specify their goals when negotiating budgets, those goals were generally vague. Furthermore, budgets often lacked financial detail beyond the overall cost of programs, leaving the Ministry of Finance with little information on which to base its allocations. Rekerta said, "Ministries produced tables without assessing financial feasibility. They had to submit their estimations of project costs to the Ministry of Finance, [but] nothing related to objectives or performance indicators, targets."

In March and April 2000, at the same time that officials were setting priorities, the Ministry of Economy developed a macroeconomic assessment that provided more realistic estimates of total revenue, spending, and deficits. Indicative budget ceilings were then set based on the resulting fiscal plan, and line ministries were instructed to submit budget requests that were more reasonable, thereby reducing the need for arduous last-minute negotiations to reconcile ambitious plans and tight budgets. As a result, ministries could plan programs with greater confidence that they would receive the necessary funding.

The planning committee required line ministers to include in their budget requests their proposals for ministerial priorities in addition to showing how their requests would support the government's strategic goals. The committee then negotiated with line ministers on whether their strategic goals were the right ones and if not, how the goals should be revised. After Kubilius and his committee were satisfied that line ministries were focused on the appropriate goals, they instructed the Ministry of Finance to proceed with finalizing preliminary budget ceilings for each ministry. Ministries then submitted strategic plans for each budget program to describe how they would use the funds. In particular, ministries had to demonstrate how their programs supported the government's strategic priorities.

Ministries had four months to prepare their strategic plans before submitting them to Rekerta's Strategic Planning Unit and the Ministry of Finance's budget department. The two offices shared responsibilities for reviewing strategic plans: The planning unit focused on policy content and on ensuring the government's priorities were incorporated, and the budget staff assessed financial feasibility. Rimantas Večkys, head of the budget department, said the consistent structure and content of the strategic

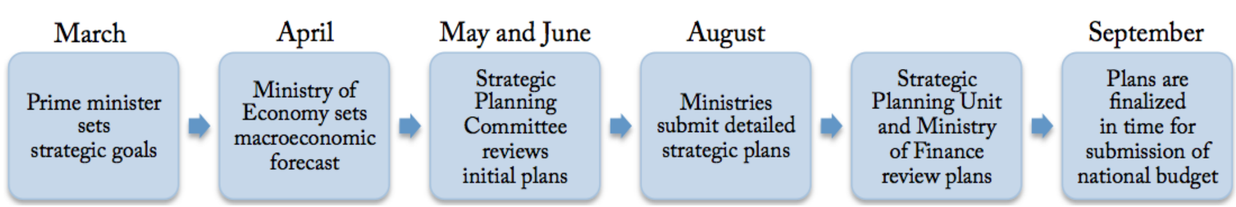

Figure 1. Budget planning process, Ministry of Finance

plans were assets to his staff: "They made it easier for our analysis of budget requests because of the common structure and definition of goals and objectives."

In August and September, Rekerta, Večkys and their units negotiated with line ministries on their plans' content and made the requisite budget adjustments before the spending plan was finalized at the end of September. Auštrevičius said the message to line ministries about budget negotiations was, "Come and fight for your place under the sun. You have to prove you are needed. … To what extent [do] your activities reflect the program of this government, the priorities and the money you've been given?" The budget planning process implemented by the Ministry of Finance is illustrated in Figure 1.

Planning for results

Strategic plans were structured in a way that forced ministries to think about the goals of their activities and how they would shape their work. The plans featured three to five strategic goals and specified expected short-term results, intermediate outputs and activities that would produce them. At each level of goals, results and outputs, ministries had to identify indicators that would measure progress toward those outcomes and specific targets. Some ministries, including the Ministry of Education and Science, went further and identified the people who would be responsible for specific tasks, adding quarterly and annual targets too.

The planning unit helped ministries build the capacity to develop the plans. Ministries designated strategic planning officers, who usually worked in budget departments or in separate units. Rekerta asked the Canadian consultants to lead training sessions and to invite officials from Ontario to Vilnius to share their experiences. He said, "It [strategic planning] was something new, and they [civil servants] didn't have any experience. … We saw some problems, and we asked public servants in Ontario to make some presentations, show examples of well-designed programs with good indicators." Rekerta said strategic planning officers especially needed instruction to help identify and relate performance indicators to outcomes and to set appropriate performance targets. Later on, the Lithuanian government's training school played a more active role in educating civil servants in strategic planning methodology.

Rekerta and his staff communicated regularly with strategic planning officials in the line ministries to provide methodological support in the development of plans and in turn to receive feedback about how the system could be improved. Using that feedback, Rekerta's unit adjusted aspects of the strategic planning system in 2002 and again in 2004. For example, after learning that activities involving more than one ministry often produced duplicate plans and reports, Rekerta made sure that all interministerial plans clearly designated reporting responsibilities. "We went through titles, what should be written in this report, who's responsible," he recalled. Rekerta described some of the other adjustments he made: "We modified tables, modified notions of different documents because some documents were disappearing, [while] some were introduced because of EU issues."

The planning unit was responsible for monitoring the implementation of strategic plans and reporting to the prime minister the results achieved. Each year by March 1, ministries submitted reports on the previous year's performance. The planning unit reviewed the reports, consolidated them into a single evaluation of the government's performance, and made the document public. The official purpose of the reporting system was to provide decision makers with information that would inform plans for the following year: whether to expand or contract certain programs or to create new initiatives for achieving certain goals. In practice, Rekerta said, performance information was used more as a way of holding ministries accountable in Parliament and in the public.

Managing the Cabinet's time

Bolstering the Cabinet's effectiveness was crucial. If this council of high-ranking government officials could not devote sufficient attention to the priority policy proposals and legislation that required its approval, then strategic planning reforms would have only limited impact. A World Bank survey in 1999-2000 had found that the Cabinet spent nearly as much time discussing technical and administrative issues as it did priority items and that as a result, much priority legislation was delayed more than six months.

Strategic planning reforms helped focus the Cabinet's attention on priority items through both direct and indirect measures. One priority was to reduce the volume of proposals that required Cabinet attention. By providing specific guidance on what was strategic and what was not, the strategic planning methodology developed by Auštrevičius' working group and improved upon by Rekerta's planning unit reduced the overall number of planning documents ministries produced. "The intention was indeed to reduce the number of strategic documents by eliminating the ones which were too narrow and leaving only important ones, covering important parts of the responsibility of a minister," Rekerta said. For example, prior to reforms, the government had produced a strategy document on ensuring milk quality—a low-priority and narrow initiative—but had failed to produce a public administration reform plan that would address a different and far more important need. The fewer—and more strategic—planning documents ministries produced, the more time the Cabinet would have for pressing issues.

Šemeta, in charge of the Cabinet's affairs, took an active role in cleaning up the Cabinet's messy agenda. The Chancellery began screening items submitted for discussion at Cabinet meetings, assigning an "A" label to priority issues and a "B" label to matters that could be resolved without the Cabinet's intervention. Ministry secretaries, the top civil servants in line ministries, made greater use of their weekly meetings to resolve "B" items, while other "B" items were handled at informal Cabinet meetings. Rekerta used his position to promote technical fixes, such as combining multiple proposals for modifications of the same law or agreeing to modify certain kinds of laws only quarterly or yearly.

OVERCOMING OBSTACLES

When they began work in early 2000, Auštrevičius, Šemeta and Rekerta were fairly certain that elections later in the year would produce a new government and that it would be difficult but critical to sustain reforms through that transition and other transitions of power. They prepared accordingly. Auštrevičius said, "[The] number one challenge we anticipated was continuation. We had no guarantee other governments would pick it up. … That was the risk."

To sustain reforms, Auštrevičius and Rekerta worked to institutionalize the strategic planning system, build support at the political level, and ultimately lock in reforms through legislation. They designated and trained strategic planning officials in line ministries and completed almost a full cycle of the strategic planning process, save for the last step of reporting on results. Although at that early stage of reforms many of the officials involved did not fully understand the process, Auštrevičius and Rekerta succeeded in putting the essential infrastructure in place.

In October, as Auštrevičius and others in the government had expected, Kubilius' political party, the Homeland Union, lost the elections and was replaced by a new coalition, led by his predecessor, Rolandas Paksas, and the Liberal Union Party. Paksas reassigned Auštrevičius, an architect of the reforms, to the important job of lead EU negotiator. Šemeta, who provided critical political support for reforms at key points, became head of Lithuania's statistics agency. Rekerta remained in charge of the planning unit.

Continued political support for reforms came from two groups: the European Committee, which was spearheading Lithuania's efforts toward EU accession, and a cohort of ministers and top civil servants who remained in key positions through multiple transitions of power because of their political affiliations or strong performance. According to Canadian consultant Evans, the European Committee's support for reforms was a critical factor because of its influence: "They [European Committee members] were arguing to the government and to Brussels that this was helping them move their agenda along." It would have been politically unwise for a new government to create obstacles for the committee.

Rekerta, with support from others at the Chancellery, moved to entrench reforms through legislation. In June 2002, Parliament passed Resolution 827 on the Approval of the Methodology for Strategic Planning, which cemented the formats and procedures that had been created. Parliament augmented that legislation with further statutes in 2003.

With political backing and, eventually, legislative support, reforms were sustained through several transitions of power. From 2000 to 2002, the three major political parties—Kubilius' Homeland Union, Paksas' Liberal Union, and the Social Democratic Party led by Algirdas Brazauskas—participated in the strategic planning process as heads of government and provided their explicit or implicit support for the strategic planning system.

Brazauskas, former head of the Lithuanian Communist Party and the first president of post-Soviet Lithuania, played an important role in sustaining the strategic planning system when he succeeded Paksas in July 2001. Rekerta said Brazauskas initially hadn't seen the value of the strategic planning system and had little communication with the planning unit for several months. Realizing that Brazauskas might have a weak understanding of the importance and workings of strategic planning, Rekerta prepared a document that explained best practices to the new prime minister and stressed that the system was about procedures and not about politics. "Maybe in the beginning he had some suspicions that the mechanism is politically oriented and is not relevant for the Social Democrats, or he was simply overloaded by other problems," Rekerta recalled. "But when he understood that this could improve the decision-making process, he asked my contribution even on the content of the proposals, which was not the case for any other prime minister."

Brazauskas invested considerable time in the Strategic Planning Committee, taking days to discuss strategic objectives and programs. He asked Rekerta to prepare weekly summaries of policy proposals and submit questions he might pose to ministers at meetings of the committee. "He [Brazauskas] had a very good memory with figures," Rekerta recalled. "[It was] difficult in the beginning, but when he understood the value it could give, it worked." Brazauskas remained prime minister until 2006, with different Cabinet configurations, and gave the strategic planning system stable political support.

ASSESSING RESULTS

In May 2004, Lithuania and nine other countries joined the European Union. Lithuania's accession represented the transformation of its Soviet-era political and economic structures into modern systems that could compete within Europe. Additionally, Lithuanian membership in the EU served as a point of pride for a country that had suffered under the rule of hostile foreign powers through much of the previous century. After struggling to progress toward EU accession prior to 2000, by late 2001 Lithuania had earned a reputation as one of the more advanced countries in its accession group, making rapid progress in adopting EU laws and regulations. The strategic planning system became a model for other countries, and State Chancellor Auštrevičius traveled to Ukraine and Azerbaijan to talk about Lithuania's achievements. "If not for the reforms in 2000," Auštrevičius said, "I'm not sure we would have achieved these results in 2001."

Beginning in 2000, the government implemented a variety of reforms to direct resources—and focus ministerial action on accelerating progress—toward EU accession and the country's other strategic goals. For its priority items the government protected funding against budget cuts across the rest of government and instituted a strategic planning system that compelled ministries to display how they would contribute to the government's strategic objectives. The Ministry of Finance had better information about the government's priorities in setting ministerial budgets, and line ministries could plan policies with greater knowledge of those policies' financial feasibility, thereby enabling them to make more reasonable budget requests. Reforms of Cabinet procedures made better use of the Cabinet's time and accelerated passage of EU accession draft laws.

The collective impact of those reforms was significant. A World Bank survey for 2002 found dramatic improvements from its earlier study. In 2002, the Cabinet spent 83% of its discussion time on priority items and just 6% on technical issues. In 2002, more than 75% of policy documents submitted to the Cabinet related to government priorities—up from 38% in 2000—signaling that line ministries were submitting far fewer low-priority items and pet projects. Finally, in 2002, more than 80% of EU accession draft laws were submitted by line ministries by their deadlines, and less than 10% were more than six months late. The Cabinet was using its time more productively, and the government as a whole was mobilizing to progress toward EU accession with an "absolutely different speed and volume," Auštrevičius said.

Not all of the reforms worked, though. One of the downsides to introducing the strategic planning system with such speed in 2000 was that ministries had little time to absorb the logic and dynamics of strategic planning. Rekerta, head of the Strategic Planning Unit, recalled, "In the first cycle, the process was still not well understood, so we had all types of problems—performance indicators not related to targets, for example. It was something new, and they didn't have any experience."

In later years, some line ministries did improve the quality of their strategic plans, according to Rekerta, but others did not. Line ministries that saw rapid staff turnover, such as the Ministry of Foreign Affairs, lagged behind, he said. Eglė Rimkutė, one of Rekerta's analysts in the planning unit, said reformers did succeed in creating a basic understanding of strategic planning systems in government, although performance was uneven. She said, "Ministries knew their goals and targets and that they should be linked to financial resources. … After three or four years, people knew what performance indicators [are], and from that point we could speak a common language."

Another problem was that Rekerta's planning unit didn't have the time and resources to perform effective review of strategic plans. Unit staffers had just a few weeks between submission of strategic plans and finalization of the budget, and each had dozens of strategic plans to review. Each staffer was responsible for four or five ministries plus government agencies, each of which would produce multiple strategic plans. "To assess these kinds of documents, you need more than one week [per document], because they're hundreds of pages, especially when you're first starting and people don't have experience with it," Rekerta said.

Additionally, Rekerta and others pointed out flaws in the number and scope of ministerial strategic plans. Povilas Malakauskas, former vice minister of defense, said ministerial strategic plans were not really strategic, because they set annual goals rather than five- or 10-year targets. Rekerta said ministries had too many budget programs and produced too many plans to think strategically. With so many programs, ministries' goals would inevitably be either narrow in outlook or overlap with the strategic goals of other programs. "From the point of view of coordination [of strategic plans], it was more difficult to put it in a clear-logic framework. If you have 30 programs, it's more difficult than if you have one program for one strategic objective," Rekerta said.

REFLECTIONS

Several things contributed to the successful reform of Lithuania's policy management system. A reform project at the Ministry of Public Administration Reform and Local Authorities had laid some of the methodological groundwork for linking policy planning and budget planning and promoting the government's strategic goals, but the project leaders could not implement the reforms without high-level political backing. The European Committee knew what was needed to satisfy the requirements for EU accession, but its priorities often took a backseat to the pet projects of line ministries. With the arrival of a new prime minister in November 1999 who understood both of the challenges and vigorously endorsed the solutions, the necessary pieces were finally in place to make significant changes.

Gordon Evans, one of the two Canadian consultants who advised the Lithuanian government until 2003, said reforms succeeded because of strong political will. Evans, who later consulted in more than 25 countries, said Lithuania was notable for strength of support at the highest political levels. "You had a critical mass of people that cared about reforms, saw it linked to getting into Europe, and beneficial to the country—a good way for the country to do business," he said. Commitment by top officials, including State Chancellor Petras Auštrevičius and Government Secretary Algirdas Šemeta, was critical at the initial stages, he said. Of Auštrevičius he said, "The first thing is about his leadership of the strategic planning working group. You would rarely see someone as the head of the Chancellery work at the level of detail that he worked on."

Evans also stressed the importance of developing reforms internally and bringing ministries together in the policy planning process. "The main thing is that they didn't ask Anne [Evans, the other Canadian consultant, no relation to Gordon Evans] and myself to go out and design something for them. They designed it themselves, wrote the manual themselves, so they can find the problems and fix it themselves," he said.

Additionally, the new planning process helped break down some of the common barriers in government between the center of government and line ministries and between the political and administrative levels. "When I first started, the official at the government office in charge of finance had never met with the budget director at the Ministry of Finance," Evans recalled. "Now, these people talk daily on the phone."

One shortcoming of the reform effort involved the government's inability to incorporate impact assessments into the policy planning process effectively. The government did require ministries to include impact assessments with all policy proposals beginning in 2003. However, decision makers did not have the time to examine each document closely—as there were hundreds of policy proposals—and generally did not find the impact assessments useful. Recognizing this, civil servants filled out assessment forms perfunctorily.

Klaudijus Maniokas, a member of the European Committee who had helped design the strategic planning system, suggested that strengthening the center of government weakened the policy planning capacities of some line ministries—an unfortunate but unavoidable consequence. In protecting funds and giving critical planning support to those ministries that had contributed most to EU accession, the system sometimes marginalized other ministries. "Other ministries suffered because we took over so much of policy planning and did so much in terms of domestic policies, we made it difficult for other, nonpriority ministries to plan," Maniokas said. "They were ignored, their finances cut, and they suffered and still have not fully recovered."

Eglė Rimkutė, an analyst in the planning unit, agreed with Maniokas but said that as the economy recovered in the middle of the decade, support to other ministries from the center of government was restored. "During the [financial] crisis, other areas were forgotten and did suffer," she said. "So, during the boom years we did get to talk about priorities in these other sectors. Our cuts had led to a brain drain from these sectors, and if you don't encourage those sectors, that's dangerous."

Petras Auštrevičius, state chancellor and head of the strategic planning working group in 2000, said the sensitivity and high stakes involved in reforming the policy-making system meant they had to get things right the first time. "And thank God we did it," he said.

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[1] See Zeynep Somer-Topcu and Laron K. Williams, "Survival of the Fittest? Cabinet Duration in Post-Communist Europe," *Comparative Politics* 40:3 (April 2008): 313–329. See also Thomas Sedelius and Joakim Ekman, "Intra-executive Conflict and Cabinet Instability: Effects of Semi-presidentialism in Central and European Europe," *Government and Opposition* 45:4 (October 2010): 505–530.