

Performance-based budgeting in Estonia

Title of the governance practice: Performance-based budgeting (to be fully adopted in 2020)

Summary of the governance practice

Estonia is currently transitioning towards performance-based budgeting. In May 2019, the Government approved Estonia's first performance-based State Budget Strategy 2020-2023 and State Budget for 2020. The transition to an output-based approach requires ministries to reduce the number of programmes' objectives and link these to performance indicators. These reforms aim to achieve more effective and efficient public services, and improve budgetary decision-making.

Short description of the governance practice

To increase the efficiency of public service delivery, it is necessary to measure its cost, which in turn requires linking resources with specific services, as well as monitoring and evaluating outputs and outcomes. In Estonia, this has meant a transition towards performance-based budgeting.

Performance measurement means using various performance metrics throughout the management chain, from planning to evaluation of the final results. Moving from an input-based system to an output or performance-based approach requires organizing and systematizing performance-based information in order to reduce the complexity of its collection and use.

The transition to a program-based state budget requires better organization of strategic planning and reduction of the number of current development documents. Strategic planning must be structured along five levels of management: performance areas (outcome areas), programs, measures, program activities and services.

Achievement/outcome of the governance practice

Performance based budget will link resources with specific performance areas and enable the Government to measure the impact generated by these additional resources. By 2020, Estonia will have identified approximately 20 performance areas linked to general objectives and approximately 60 programmes to fulfil them. The state budget will be designed based on these programmes. To achieve the expected results it is important to reduce the number of development strategies, to follow the clear development directions of the Government and to act in a unified manner within and across governance areas.

All organisations in charge of running these programmes set performance goals to be attained while providing services. A designated manager then follows up to assess whether the desired impact was achieved. Heads of Organisation are responsible for achieving expected results while keeping within the allocated budget. Of course, one organisation can contribute to different programme aims.

Source: Example of country practice provided by the Government of Estonia as part of the Policy Framework's consultation process