

SUSTAINABLE DEVELOPMENT OF PUBLIC SECTOR: THE STATE AND ASSUMPTIONS OF IMPROVEMENT OF FUNCTIONAL REVIEW IN PUBLIC INSTITUTIONS

Živilė Tuncikienė¹, Ilona Skačkauskienė², Adriana Grenčíková³

^{1,2}*Vilnius Gediminas Technical University,
Saulėtekio str. 11, LT – 10223, Vilnius, Lithuania*

³*University of Alexander Dubcek in Trenčín
Studentska 3, 91150 Trenčín, Slovakia*

E-mails: ¹zivilė.tuncikiene@vgtu.lt; ²ilona.skackauskiene@vgtu.lt; ³adriana.grencikova@tnuni.sk

Received 15 March 2013; accepted 25 June 2013

Abstract. The quality of the public sector activity may have crucial influence on the social economic status of the state. In order to make public sector efficient, stimulate its contribution into the social economic development of the state, it is rational to apply a management tool which has been tested and proven in business practice – the strategic planning possibilities of realising whose principles are higher if the method of functional review is applied. In order to create a model of effective functional review, it is first of all expedient to fulfil these objectives: to reveal the role of functional review of institutions, to analyse its principles, to show what kind of functional review practice we have in state institutions, to define the directions and preconditions for improving functional review of institutions. This article presents the results of fulfilling such objectives which were received with the help of systematic analysis that allowed to perform a synthesis of the results achieved through research of different spectrum.

Keywords: Strategic planning, functional review, principles, legal regulation, directions and preconditions of improvement, public sector, institution.

Reference to this paper should be made as follows: Tuncikienė, Ž.; Skačkauskienė, I.; Grenčíková, A. 2013. Sustainable Development of Public Sector: The State and Assumptions of Improvement of Functional Review in Public Institutions, *Journal of Security and Sustainability Issues* 3(1): 11–21.
[http://dx.doi.org/10.9770/jssi.2013.3.1\(2\)](http://dx.doi.org/10.9770/jssi.2013.3.1(2)).

JEL Classifications: H83

1. Introduction

Generally, the following three main functions of a state can be distinguished: addressing economic issues, social issues and other functions. At a lower level all these functions are specified in more detail. For example, the social area covers education, health and social care, welfare, recreation and culture. In order to foster development of policy-making in the economic, the mentioned social and other areas, different public sector institutions have been established to work jointly on the implementation of this

goal. The institutions must constantly endeavour to get people use the products of their work and ensure public opinion which binds organisations that allocate financial resources to provide resources necessary for implementation of their further work.

Within the context of the on-going processes (liberalisation of markets, competition that exceeds the boundaries of the farthest countries, social and economic differentiation of the world, change of information technologies, etc.) more active reforms are characteristic of public sector as well as new requirements keep being imposed on the institutions in this sector.

Institutions must base their activity on the market principles, which functions as a regulator of the development of activities. It is obvious that the market does not have so much influence on the activity of institutions as much as on the business entities: the activity of institutions is less dependent on the market, respectively the market determines the expenses of the activities of institutions as well as the efficiency of their activity on a smaller scale. Besides, the extent of applying this principle in the activity of institutions is determined by political factors – institutions that operate in the areas popular from political point of view sometimes are supported and financed well independently of the efficiency of their work. Basic transfer of market economy relations into the activity of institutions means that the principle of the market as the regulator of development of the activity is treated as grounding the activities of institutions on the aspect of the perspectives of its development.

In order to implement the latter principle in the public sector it is advisable to review the functions of institutions. Functional review is oriented towards justifying the necessity of functions of institutions from the point of view of creating the preconditions for implementing the priorities of state development. Besides, such an analysis allows justifying the adequacy of the activities of institutions within the context of constantly changing requirements of their environment.

The context of applying the method of functional review in public sector is poor not only from the point of view of the completeness of the list of the principles of such an analysis (special literature provides single principles of functional review). Scientific works and works written by practitioners do not give answers to the main questions: which components of the model of functional review of institutions are the most important ones, what content should the model components bear, besides, what should be the interrelation of the main components, which methods are purposeful to be applied in order to achieve the main objectives of functional review, etc.? Undoubtedly, reasonable answer to these questions would allow to apply function review as a tool of effective management, or more precisely, strategic planning of the public sector.

In order to create a model of effective functional review which would allow to identify all factors determining the necessity of the functions performed by

institutions and their adequacy to the requirements of the environment, to make a comprehensive evaluation of the necessity and adequacy of the functions according to defined factors, to use the results of such analysis purposefully, it is first of all expedient to fulfil these objectives: to reveal the role of functional review of institutions, to analyse its principles, to show what kind of functional review practice we have in state institutions, to define the directions and preconditions for improving functional review of institutions. This article presents the results of fulfilling such objectives which were received with the help of systematic analysis that allowed to perform a synthesis of the results achieved through research of different spectrum.

2. The purpose and essence of the functional review of public sector

Development of public sector had never been an easy task and during the last two decades it has become especially complicated. Political and social reforms, social and demographic changes, public opinion, limited resources of the country, initiatives of international organisations, technological and technical progress, determined increase in reforms in public administration (Butkevičius, Bivainis 2009). The abundance of reforms in public administration shows that increasing the effectiveness of the public sector is an especially important and relevant issue in the activity of the governments of countries. Most, if not all, reforms were undertaken in order to improve administration of public sector, increase the effectiveness of managing financial resources (Afonso *et al.* 2009; Backūnaitė 2006 a, b; Borge *et al.* 2007; Butkevičius, Bivainis 2009; Funkcijų analizės... 2010; Lonti and Woods 2008; Pedraja-Chaparro *et al.* 2005; Raipa 2008, 2009).

Undoubtedly, the society needed, needs and will need such institutions that prepare, pass and implement efficient decisions on management of the country's social and political development, institutions that provide qualitative public services and alongside rationally use the budgetary funds. In order to solve the complicated problem of the quality of the products created by the public sector and therewith related expenses, it is prerequisite to intensively apply the management tool that has been tested in business practice and has proven positive – strategic planning (Bivainis, Tunčikienė 2009, 2011). Possibilities of applying the main strategic planning principles are

much bigger if we apply the functional review method when institutions prepare and make the most important decisions on their activities (Tunčikienė, Skačkauskienė 2012).

In order to increase the effectiveness, performance and capacity of institutions to overcome the arising challenges, it is suggested to apply one of the tools of restructuring public administration – functional analysis which in practice is called functional review. Functional review is one of the measures used to decrease the size and expenses of public sector management, increase the transparency, effectiveness and performance of the institutions accountable to the Government (Lietuvos Respublikos Vyriausybė...2011). Therefore, in general sense, functional review in public sector is a tool whose application allows to reasonably determine the status of the efficiency of public sector institutions (in a broad sense) as well as foresee the potential of increasing the efficiency of their work. Implementation of the decision on public sector activities based on the results of functional review creates preconditions for using material resources of the public as efficiently as possible and at the same time meeting its needs, thereby trying to make the public sector of the country more competitive.

In special literature the goals of functional review are defined on both more general and more specific levels. Analysis of the goals of functional review, the objectives of their implementation allow one to specify the purpose and essence of such a management tool in the activity of the public sector. According to Lukashenko (2009) the goals of functional review are like general guidelines according to which it is not difficult to determine what the goal of functional review is in essence, the objectives of functional review specify how those goals will be achieved.

The goal of the functional review is to prepare the tools necessary for ensuring the development of public sector, i.e. to enable the institutions foresee the methods of improving the activity of public sector in order to implement the state development goals and priorities (Medvedev 2002; Petrov 2002b; Manning, Parison 2004 and others). Very often improvement of the activity of public sector is understood through the prism of decreasing expenses. Functional review is not limited to decreasing the expenses of public sector by differentiating it according to the role and functions of institutions, it is oriented towards balancing the public administration system or a certain

political area (Funkcijų analizės...2010).

In order to ensure a more democratic management of a state, a more efficient distribution and use of the funds allocated for that, the trust of the citizens in their state and similar issues, functional review helps to purify the competence, functions, subordination and accountability of institutions, define how public institutions and state enterprises participate in state governance. Thus, functional review allows eliminate excess functions, neutralise or at least decrease duplication of functions among institutions and state governance levels, provides a possibility to choose the best alternative in order to achieve the goals of public policy. In summary, functional review allows to form the whole set of rationally composed executive institutions in order to create as favourable conditions for social economic development of the country as possible.

Besides, the goal of functional review is to create preconditions for increasing the efficiency of public institutions. It should be noted that higher efficiency may be reached in different ways (Funkcijų analizės...2010). Here functional review is treated as a tool for self-examination application of which allows improve operation processes in an institution and thus increase the efficiency of their operation. Functional review helps to foresee the need for improvement of organising the activity of institutions. It allows to apply new methods of operation as analysis of the functions of institutions includes analysing advanced management methods and best practice. Functional review helps the management of institutions better understand their environment, public service users, strive to reach the consensus among the interest groups regarding the planned changes in the activity of the institution. It enables ensuring the validity of the need of appropriations for implementing the programmes of the institution.

Generally, the list of goals of functional review presented in the works of authors analysing functional review is based on a systematic approach. For example, Petrov (2002a) presents a set consisting of the goal of functional review and the objectives of its implementation. According to the author, functional review is oriented towards creating as efficient conditions for performing public sector functions as possible; therefore, the objectives of this analysis are to be related to defining the need for certain functions of institutions as well as using the possibilities of increasing the efficiency of implementing the necessary

functions. The goal of functional review is to create preconditions for preparing and making reasonable decisions on improvement of the activity of the public sector, foresee the direction of the activity of institutions, determine how to change their organi-

sational management structure, develop human and other resources of institutions in order to modernise public sector and at the same time ensure provision of qualitative public services to the society (Zabolotnic 2007).

Table 1. The goals and objectives of functional review

	Authors			
	Medvedev (2002)	Petrov (2002a)	Manning, Parison (2004)	Zabolotnic (2007)
Goal	To create preconditions for preparing the measures for efficient implementation of the most important functions of the public sector.	To create preconditions for efficient implementing of the most necessary functions of the public sector.	To create preconditions for determining the ways of improving the activity of the public sector in order to implement the goals of the reforms of public administration as well as the state development priorities.	To create preconditions for making reasonable decisions on improvement of the activity of the public sector in order to ensure provision of qualitative public services to the society.
Objectives	To foresee the rational entirety of the functions of the public sector, determine the possibilities for restructuring and reorganising institutions, for rational distributions and usage of the resources necessary for performing the functions of institutions.	To eliminate the unnecessary functions of the public sector, to eliminate duplicating activities among institutions and within institutions, justify the necessity of new functions, determine the possibilities of organising rational implementation of functions.	To determine the possibilities of increasing the economy, efficiency and effectiveness of the activity of the public sector (e.g. possibilities of reducing the costs of activities; possibilities of modifying the activity; possibilities of improving organisation of the activity).	To determine the expedience of the activities of the public sector institutions, the possibilities of organising the management of the activity of institutions and development of resources.

Source: compiled by the authors

Summarising the results of analysing the goal of functional review as well as the objectives of implementing it, we may state that functional review is more oriented towards creating the conditions for preparing and making the decisions that determine qualitative changes in public sector activities basing them on the results of analysing the expedience of the activities of institutions as well as rationality and efficiency of their management (Table 1).

3. Principles of functional review of public institutions

Functional review must not only help reveal what institutions do but also answer such main questions: what is and what is not valuable in their work, what the activity of institutions should be like and what should be avoided in their activity?

Most foreign governments confront such questions when modernising public sector, however, in different countries, depending on national context and

traditions, different decisions are made. Reorganising institutions the following issues are dealt with:

- should institutions have a lot of goals or only one goal (specialisation)?
- how should different functions, levels and sectors be coordinated (coordination)?
- which functions should be centralised/decentralised and how much (centralisation/decentralisation)?
- what is the optimal size of an organisation (size)?

When conducting a functional review it is rational to consider the general model of the public administration system and follow the principles of improving the system of the executive power of the state as defined in the Concept for the Improvement of the Framework of the Executive System of the state (Funkcijų analizės...2010; Lietuvos Respublikos Vyriausybė...2009):

- separation of policy making and its implementation;
- rationality and expedience;
- more effective use of state budgetary funds;

- transparency;
 - reducing the administrative burden;
 - operational independence;
 - deconcentration, decentralisation and subsidiarity.
- Considering the mentioned principles, guidelines for functional review were proposed. These guidelines mostly define the requirements for the content of functional review of institutions rather than its process.

These are:

- the principle of separation of policy making and its implementation – the state institutions which are policy makers in the areas assigned to their ministers should not be the ones to implement the policy. State institutions which implement state policy may;
- the principle of the proper implementation place of the function – functions must be assigned to those administrative sectors of the ministries/institutions subordinate to the ministries where they would be implemented in the most efficient way;
- the principle of the optimal scope of functions – the scope of functions should be optimal: performing a function should create a concrete product, the department/institution responsible for performing the function should be capable to create the product without a significant contribution of other departments/institutions;
- the principle of expedience of performing the functions and optimal distribution – the functions performed must be necessary for implementing the goals and objectives of the institution, the functions performed by different institutions can't overlap/duplicate each other;
- the principle of consistency and conformity to the requirements of the structure – the goals and objectives of the administrative departments of the ministry/institutions subordinate to the ministry must comply with the goals and objectives of the governing area, all functions enumerated in the provisions of the ministry must be distributed among the administrative departments, the structure of the administration of the ministry must conform to the requirements imposed on the structure of administration of public administration entities (Law on Public Administration of the Republic of Lithuania, other legislation), subordination of separate administrative units, their constituent parts, institutions subordinate to the ministries (ministers, chancellor of the ministry, vice ministers) must be rational and efficient.

One of the sources of scientific literature (Butkevičius, Bivainis 2009; Lietuvos Respublikos Vyriausybė...2011) states that public sector institutions within defined periodicity must defend the necessity of the functions they perform by analogy with the newly established institutions. Therefore, the unarguable basic principle of functional review in terms of content is the principle of “defending” the functions importance of the functions performed by institutions. Using the results of the analysis of the importance of functions in preparing and making strategic decisions allows implementation of the principles of strategic planning (Bivainis, Tunčikienė 2009, 2011), where the principle of regulating the development of the activity of institutions is defined as the most precise (accurate) one. Besides, we may use the principle of content for treatment of the principle which requires functional review to encourage continuous improvement of performing the functions of institutions. The essence of applying such a principle is to create conditions for permanent increase in the performance (efficiency) of the activities performed by institutions as well as their effectiveness via the prism of possibilities to improve the subsystems of governing the institution and other elements of the institution – economic, technical social, value-system, etc. as well as their interaction.

The principles of validity, rationality and efficiency, versatility, adequacy (flexibility), compatibility of interests, transparency, publicity and other principles may be attributed to the principles of the process of functional review of public institutions and it is suggested to adhere to them while creating the strategic activity plans. As mentioned above, Butkevičius and Bivainis (2009) suggest to prove the necessity of the functions performed by institutions on the principle of analogy, i.e. using the method of comparing the functions among each other. Scientists and practitioners (Butkevičius, Bivainis 2009) foresee in their works a possibility for formalizing functional review and encourage to base the expedience of different activities of the institutions on quantitative calculations. Purposeful formalisation of the method has both positive and negative sides. The positive side is that the data is collected systematically and it can be further classified, compared among each other and carry out other operations. All this helps to avoid speculation, increases the objectiveness of conclusions. The negative side of that is that the received empiric data quite often is identified with the reality,

besides, formalisation restricts from a deeper knowledge of the object.

In order to make an objective evaluation of the state of the efficiency of implementing the functions assigned to public sector institutions, the principle of versatility must be applied. This principle means that when functional review is performed it is necessary to consider the interaction of institutions and their environment (both the general and specific one), governance of institutions and other subsystems. When conclusions of functional review are drawn, one must identify the problems of the interaction as well as the possibilities of eliminating or at least reducing them as preconditions for possible fundamental solutions. Besides, it should be noted that functional review of institutions should not be a single action. Experience

of foreign countries (for example, the United Kingdom (Funkcijų analizės...2010)) shows that the best results are achieved when functional review is conducted on a regular basis. This opinion is approved of by Butkevičius, Bivainis (2009). It is obvious that improvement of operational decisions of institutions is in fact possible if one receives timely reasonable conclusions of functional review that are approved of by most pressure and interests groups.

Understanding the meaning of all the principles of the functional review of the public sector (see Fig.1.) as well as the ability to apply them in the right way is an important condition for ensuring efficient planning of the activities the of institutions oriented towards the perspective as well as sustainable development of institutions.

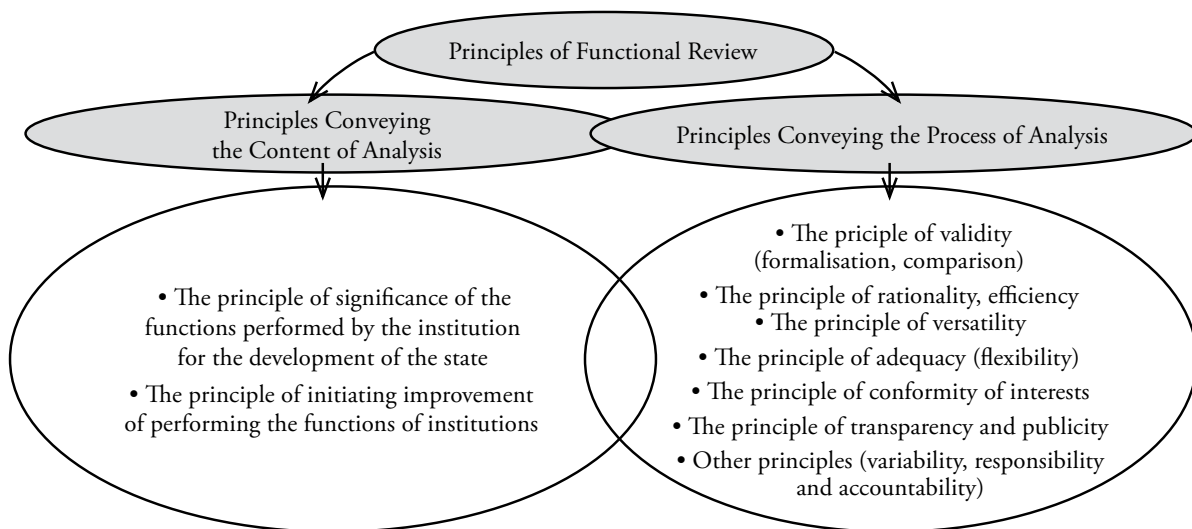


Fig.1. The entirety of principles of functional review

Source: compiled by the authors

4. Legal regulation of the functional review of public sector institutions

Legal regulation of the functional review of public sector institutions in the country as well as strategic planning are regulated by legislation of different level (Bivainis, Tunčikienė 2009, 2011). One of the main pieces of legislation regulating functional review of institutions is Resolution of the Government of the Republic of Lithuania No. 968 of 17 August 2011 “On the Approval of the Methodology for the Functional Review of Institutions Accountable to the Government”. This resolution provides definitions related to functional review (e.g. what is function, functional review, functional review process, separate

functional review types – horizontal, system, vertical functional review), it also provides the aim of functional review as well as the main sources (legislation and recommendations: e.g. Concept of the Improvement of the Framework of the Executive System of the State as approved by Resolution No.1511 of the Government of the Republic of Lithuania, Law on Public Administration of the republic of Lithuania, Recommendations for the Application of the Methodology as approved by the Ministry of Interior) that set the requirements for conducting functional review. Besides, it also overviews the whole process of functional review which is later detailed by naming the main components of the stages of functional review, names the main participants of the functional

review process and defines their main functions. It should be noted that each of the main functional review stages is characterised by a list of procedures, their conformity through single guidelines and formal aspects of organising functional review.

The provisions of the Methodology for the Functional Review (Lietuvos Respublikos Vyriausybė...2011) define the structure of the proposal to conduct functional review, draft annual functional review plan of institutions accountable to the Government, reports on performed reviews and recommendations, the action plan of implementing them, reports on the progress of its implementation: for example, the report on performed functional review should contain information about the aims of functional review, applied methods, description of the object and context of the functional review, results of analysis of functions and processes, conclusions and recommendations; the plan of measures for implementing recommendations should include recommendations, decision on the implementation of the recommendations, envisaged measures of implementation, time-frame for implementing recommendations, an institution responsible for implementation of the recommendations and the expected results; the report on the progress of implementing recommendations should provide information about the envisaged and

implemented recommendations, it shall also contain information on the problems encountered during the implementation of recommendations as well as proposals how to deal with such problems. Besides, provisions of the methodology establish a few requirements for recommendations: they have to be concrete, implementable and efficient.

Additionally to the mentioned points, the above mentioned Government Resolution (Government of the Republic of Lithuania (Lietuvos Respublikos Vyriausybė...2011) sets the time frames for conducting functional review procedures (e.g. deadline for submitting the draft annual functional review plan for consideration, reports on performed functional review, etc.) that have to be coordinated with the process of formation of the State budget of the Republic of Lithuania.

In accordance with the results of the analysis of the legal regulation of functional review, the following conclusions may be drawn: the formal procedures of functional review of institutions are quite well regulated, there is less regulation of its content, however; methodology on functional review provides the principles of functional review of institutions, it defines their essence, however, does not provide the methods for implementing such principles (see Table 2).

Table 2. Provisions of legally regulated functional review that establish the principles of functional review of institutions in the public sector

Principles of Functional Review	References to the provisions of the Methodology for functional review that establish the principles of functional review (LRV... 2011)
1. The principle of the importance of the functions performed by institutions to the development of the state	Section 1 articles 1, 3, 4; Section 3 articles 17, 22, 25.
2. The principle of encouraging (initiating) improvement of performing the functions of the institutions	Section 1 articles 1, 4; Section 3 articles 17, 22, 25.
3. The principle of validity	Section 2 articles 6 (6.1, 6.2), 7 (7.3, 7.4), 8; Section 3 articles 17, 21, 22, 23,24; Section 4 articles 31 (31.1.3, 31.1.4, 31.2.1, 31.2.3, 31.2.4, 31.2.5), 32, 33, 34 (34.5);
4. The principle of rationality, efficiency	Section 2 article 9; Section 4 articles 31 (31.2.1), 33.
5. The principle of variability	Section 2 article 7 (7.3, 7.4).
6. The principle of versatility	Section 3 articles 17, 22; Section 4 article 31(31.2.2, 31.2.4).
7. The principle of adequacy (flexibility)	Section 2 article 8 (8.2); Section 3 article 25; Section 5 articles 36, 37, 38.
8. The principle of conformity of interests	Section 2 articles 6 (6.3), 10, 16; Section 3 article 28.
9. The principles of transparency and publicity	Section 2 articles 7 (7.5), 9.
10. The principle of responsibility and accountability	Section 3 articles 18, 20 (20.8), Section 4 article 34, Section 5 article 35, Section 6 article 39.

Source: compiled by the authors

5. The process of functional review in public sector institutions

Functional review of public sector institutions is a complicated and long process whose content, procedures and role of participants, as it was mentioned above, are regulated by legislation in order to guarantee coordination of the works performed by all the participants of it. According to the Methodology for the Functional Review (Lietuvos Respublikos Vyriausybė...2011) the process of functional review is the entirety of procedures for functional review planning, organisation, conduct, recommendation implementations and monitoring.

According to the Methodology for the Functional Review (Lietuvos Respublikos Vyriausybė...2011) functional review starts with determining that it is necessary to conduct functional review. It should be noted that analysis of internal or external factors is important here without foreseeing the analysis of combinations of the factors of separate groups. The Methodology provides the list of factors predetermining the need for functional review (reforms implemented by the Government, the need to enhance the performance quality, efficiency and effectiveness of institutions, reorganisation of one or several institutions, changes in the mission of the institution) which is not concrete as to the entities initiating functional review (Government, Prime Minister, ministers, Sunset Commission, coordinating institutions or an institutions accountable to the Government). The content of proposals that are submitted for the coordinating institution is comprised of justifications of the necessity for functional review. According to the results of analysing the proposals for conducting functional review, the coordinating institution prepares a draft annual plan for functional review according to the Form approved of by the Government. The draft annual plan precisely defines the object of functional review in order to choose the appropriate review type. It also takes into consideration the system of public administration entities as well as its need for improvement in order to determine the aims of functional review. The draft plan should foresee the time frame, human and financial resources necessary to conduct functional review in order to choose the appropriate method of conducting functional review. If first the Sunset Commission and then the Government approve of the content of the annual functional review plan,

institutions responsible for organising conducting of the functional review set up rationally composed workgroups on functional review (the composition of workgroups is mandatory and recommendatory in character) which start functional review by drawing up an action plan. The content of the latter is defines generally: it should specify the objectives related to conducting of the functional review as well as other objectives, time frames for conducting them, institutions responsible for that, etc.

According to the Methodology for the Functional Review (Lietuvos Respublikos Vyriausybė...2011) there are three stages of conducting functional review of the state institutions the first two of which are more detailed in terms of procedures rather than content: 1) gathering of information necessary to conduct functional review includes defining of the methods for gathering information sources and data, preparation of the measures for gathering information, guidelines for functional review according to which it is advisable to enumerate the aims of functional review, as well as defining the aims of the object of the functional review; 2) functional review conduct comprises allocation of the functions to the ones formulating the state policy, implementation and supporting functions, analysis and improvement of activity processes, determination of the purposefulness, scope and implementation place of functions, if necessary, improvement of the administrative structure of the institution, and also, if necessary, capability of the institution to perform functional analysis. Conduct of functional review is finished by drawing up a functional review report and recommendations (Lietuvos Respublikos Vyriausybė...2011).

The general scheme for conducting the functional review process is considered to be rational due to distinguishing the initial (preparatory), the main and the final stages of the process, however, at separate stages the composition of the objectives set, also the manner of accomplishing the objectives including the sequence, are questionable in terms of rationality. We should mention here the stage of functional review where the foreseen objectives are fragmentally oriented towards neutralising or at least reducing in essence different problems of organising public sector, besides, the problem solution schemes are not detailed, and it is not clear whether and how the results of accomplishing one objective determines accomplishing another objectives at this stage.

At the stage of conducting functional review, classification of functions into policy making and other above mentioned functions according to the defined principle (according to the Methodology (Lietuvos Respublikos Vyriausybė...2011) classification must be made according to the product created by the institution) allows to define its main general purpose that can be specified with the help of setting up the goals of the object of functional review according to the results of the analysis of the documents that are implemented by the institution (usually, the problem is dealt with applying the principle “from the more general one to the more specific one”); besides, the sequence of dealing with other objectives of functional review raises doubts: it is likely that it is more efficient to search for the answers regarding the expedience, scope and suitability of the implementation place having classified the functions according to the defined feature and only then in principle analyse the aspects of performing the functions (according to the Methodology (Lietuvos Respublikos Vyriausybė...2011) having classified the functions, it is obligatory to conduct a thorough analysis of activity processes and define the sequence of really performed functions as well as their correlation in realising a particular activity). In general, this part lacks for analysis of the formation of the bases for the proposals on more rational improvement of the activity of institutions, i.e. the factors determining the efficiency of a more rational activity of institutions (e.g. administrative governance structure, other resources and capabilities) as well as defining the possibilities for improvement of the activity of institutions.

As already mentioned, the content and procedures of the stage of preparing recommendations based on the results of functional review as well as the action plan for implementing them are not specified in the methodology (Lietuvos Respublikos Vyriausybė...2011). Considering the requirements imposed on the recommendations for functional review as well as on the action plan on their implementation, it is rational to perform at this stage an evaluation of alternative proposals (recommendations, the action plan for their implementation) from various aspects in order to choose the most suitable solutions how to improve substantially the activity of public sector.

The content and procedures of the stage of monitoring the implementation of functional review recommendations are neither specified either by the

institution which coordinates functional review, or by the institutions accountable to the Government which are responsible for their implementation at different stages. Considering the Provisions for the methodology of functional review (Lietuvos Respublikos Vyriausybė...2011), monitoring at the level of institutions accountable to the Government means comparison of the actual results of implementing the action plan for endorsing recommendations with the expected results, defining the problems of their implementation and the factors determining them, foreseeing the methods for solving the problems of implementing recommendations. The results of solutions of the mentioned objectives are supplied to the coordinating institution to ensure the implementation of functional review, to summarise the problems, results and best practice as well as to prepare a report on the progress of the implementation of functional review recommendations which is to be submitted to the Sunset Commission and State Government.

6. Directions and preconditions for improving the functional review of public sector institutions

We may distinguish a few main factors which determine the need of applying the method of rational functional review in the country. These are external and internal factors such as membership of Lithuania in the EU and constant development of EU politicians and competence areas, which leads to changes in the functions of authorities in member states, the reasons and directions defined in the Concept for Improvement of the Executive Framework of the Executive System of the state determining the improvement of the executive authority system, the objective to reduce governing expenses, thus also to increase the efficiency of the work of institutions.

In order to apply functional review as a tool for efficient management of public sector, systematic research should be performed. One of the most complicated stages in this job is to prepare a principle model of functional review of institutions and specifying its components up to the methods how to accomplish the objectives. In special literature models of functional review vary according to the problems of the public sector, the goals set as well as the objectives of functional review. Some models of functional review are more aggregated, others – more specified, the thirds ones are combinations of the former and

the latter ones. Besides, models also differ according to the approach how the objectives of functional review are to be achieved (the sequence of fulfilling objectives, methods applied, etc.).

Undoubtedly, the content and character of functional review of public sector institutions have to be related to the components of the model of functional review which would allow to:

- 1) thoroughly reveal the factors determining the necessity and the adequacy of the functions performed by the institutions to the requirements of the environment and determine how the factors are related with each other;
- 2) make a complex evaluation of the necessity of functions of institutions as well as their adequacy to the requirements of the environment considering the defined factors;
- 3) use the results of such an analysis and evaluation purposefully.

Reasonable answers to these questions would allow to use functional review as an tool for effective management of public sector.

Conclusions

Functional review may be treated as a separate means for self-examination of public sector institutions. It, however, gains a bigger value when the objectives of strategic management of institutions are pursued. Functional review allows prepare and make qualitative decisions determining changes in public sector basing them on the results of analysing the expedience of the activities of institutions as well as rationality and efficiency their management. Implementations of such decisions are a precondition for sustainable development of public sector.

In order to apply functional review as an effective tool of public sector management, it has to be based on the principles which convey the main requirements for the content as well as the process of functional review. Such principles may include the importance of the functions performed by the institutions to the development of the country, principles of encouraging improving fulfilment of the functions of institutions, principles of validity, rationality, efficiency, variability, comprehensiveness, adequacy, compatibility of interests, transparency, publicity, and other principle.

Functional review similarly to any other activity in public sector is legally regulated. Analysis of legal

regulation of functional review can be summarised by the following conclusions: formal procedures of functional review of institutions are quite well regulated, their content, however, is less regulated; the methodology of functional review indicate the principles of functional review of institutions, their essence is revealed, however, the methods of implementing the principles are not provided.

Functional review of state institutions is a complicated process whose content, the role of the procedure and the participating parties are defined by legal acts in order to guarantee coordination of the work performed by all the participants. The general scheme of conducting functional review is to be considered as rational due to distinguishing the initial (preparatory), main and final stages, however, at different stages the content of the objectives set, besides, the character of fulfilling the objectives, including their succession, are questionable in terms of rationality.

In order to apply functional review as a tool for effective management of public sector, systematic research should be performed. One of the most complicated stages in such a work is to prepare a principle model of rational functional review of institutions.

References

- Afonso, A.; Schuknecht, L.; Tanzi, V. 2009. Public Sector Efficiency: Evidence for New EU Member States and Emerging Markets. Available on the Internet: < <https://www.repository.utl.pt/bitstream/10400.5/2131/1/ecbwp581.pdf>>.
- Backūnaitė, E. 2006a. Administracinių reformų viešajame sektoriuje kaita [Change of Administrative Reforms of Public Sector], *Ekonomika ir vadyba: aktualijos ir perspektyvos [Economics and Management: Current Issues and Perspectives]* (6): 11–17.
- Backūnaitė, E. 2006b. *Administracinių reformų viešajame sektoriuje raida: konvergencijos ir divergencijos paieškos [Development of Administrative Reforms of Public Sector: Searching for Convergence and Divergence]*, *Viešojo politika ir administravimas [Public Policy and Administration]* 18: 17–25.
- Bivainis, J.; Tunčikienė, Ž. 2009. *Viešojo sektoriaus institucijų strateginis planavimas [Strategic planning in public institutions]*. Vilnius: Technika. 240 p.
- Bivainis, J.; Tunčikienė, Ž. 2011. Viešojo sektoriaus institucijų strateginio valdymo biurokratija [Bureaucracy of Strategic Management in Public Institutions], in Raipa A. (Ed.). *Biurokratija demokratinėje visuomenėje [Bureaucracy in a Democratic Society]*. Kaunas: Technologija. 280 p.
- Borge, L. E.; Falch, T.; Tovmo, P. 2007. Public Sector Efficiency: the Roles of Political and Budgetary Institutions, Fiscal Capacity and Democratic Participation, *Public Choice* 136(3/4): 475–495.

- Butkevičius, A.; Bivainis, J. 2009. *Nacionalinio biudžeto išlaidų planavimas* [Planning the National Budget Expenditure]. Vilnius: Technika. 248 p.
- Funkcijų analizės ir biudžeto programų vertinimo priemonių Lietuvoje ir užsienio šalyse tyrimo ataskaita [The Report on Investigating the Tools of Functional Review and Evaluation of Budget Programs in Lithuania and Foreign Countries]. 2010. UAB "Klaipėdos banga". 70 p. Available on the Internet: <<http://www.lrv.lt/bylos/VORTprojektas/Dokumentai/knyga2.pdf>>.
- Lietuvos Respublikos Vyriausybė 2009. Lietuvos Respublikos Vyriausybės 2009 m. lapkričio 11 d. nutarimas Nr. 1511 "Dėl Vykdomosios valdžios sistemos sandaros tobulinimo koncepcijos patvirtinimo" [Resolution No. 1511 of November 11, 2009 of the Government of the Republic of Lithuania "On the Approval of the Concept of the Development of the Executive Power System.]. Valstybės žinios [Official Gazette], 138–6075.
- Lietuvos Respublikos Vyriausybė 2011. Lietuvos Respublikos Vyriausybės 2011 m. rugpjūčio 17 d. nutarimas Nr. 968 "Dėl Lietuvos Respublikos Vyriausybei atskaitingų institucijų funkcijų peržiūros metodikos patvirtinimo" [Resolution No. 968 of August 17, 2011 of the Government of the Republic of Lithuania "On the Approval of the Methodology for the Functional Review of Institutions Accountable to the Government"]. Valstybės žinios [Official Gazette], 106–4991.
- Lonti, Z.; Woods, M. 2008. Towards Government at a Glance: Identification of Core Data and Issues related to Public Sector Efficiency. *OECD Working Papers on Public Governance*, No. 7, OECD, Paris.
- Lukashenko, O. 2009. *Towards Effective Public Administration: Methodology for Functional Analysis*. UNDP Serbia. 32 p. ISBN 978-86-7728-117-5.
- Manning, N.; Parison, N. 2004. Determining the Structure and Functions of Government: Program and Functional Reviews. Worldbank. 91 p. Available on the Internet: <<http://www1.worldbank.org/publicsector/civilservice/ACSRCourse2007/Session%208/DeterminingStructureFunctions.pdf>>.
- Medvedev, A. 2002. *Методика проведения функционального анализа деятельности исполнительных органов государственной власти. ООО «Про-Грамма»* [Methodology of Conducting Functional Performance Review of the State Executive Authorities. ООО "Programma"]. Available on the Internet: <https://www.google.lt/url?sa=t&crct=j&q=&esrc=s&source=web&cd=2&cad=rja&ved=0CDcQFjAB&url=http%3A%2F%2Ffold.tomsk.gov.ru%2Fexport%2Fsites%2Fru.gov.tomsk%2Fru%2Frule%2Freform%2Fmetodic%2Ffunctional_analysis_new.doc&ei=D2L1UevmK4W7O4i-gZgK&usg=AFQjCNHmxdfqdPHmJLVLBfNIE9-jMpBgeg&sig2=rdAYL5TzqebA2WwLpnl aCQ>.
- Pedraja-Chaparro, F.; Salinas-Jimenez, J.; Smith, P. C. 2005. Assessing Public Sector Efficiency: Issues and Methodologies. Available on the Internet: <http://www.bancaditalia.it/studiricerche/convegna/atti/publ_expe/ii/343-360_pedraja_salinas_smith.pdf>.
- Petrov, V.P. 2002a. Организация функционального анализа. Реформа государственного управления: поиск эффективного подхода [Organising Functional Review. Reform of State Management: Search for an Efficient Approach], 9–15. Available on the Internet: <http://gov.cap.ru/home/25/fr_glava%202_rus.pdf>.
- Petrov, V.P. 2002b. Методика и техника функционального анализа. Реформа государственного управления: поиск эффективного подхода [Methodology and Techniques of Functional Review. Reform of State Management: Search for an Efficient Approach], 24–44. Available on the Internet: <http://gov.cap.ru/home/25/fr_glava%203_rus.pdf>.
- Raipa, A. 2008. Socialiniai pokyčiai ir naujos viešojo valdymo sistemos [Social Changes and New Systems of Public Governance], *Ekonomika ir vadyba: aktualijos ir perspektyvos* [Economics and Management: Current Issues and Perspectives] 1(10): 127–131.
- Raipa, A. 2009. Šiuolaikinio viešojo valdymo pokyčių kryptys ir tendencijos [The Directions and Tendencies of Changes in Modern Public Governance], *Viešoji politika ir administravimas* [Public policy and administration] 30: 22–32.
- Tunčikienė, Ž.; Skačkauskienė, I. 2012. Viešojo sektoriaus institucijų strateginio planavimo būklė ir jos gerinimo prielaidos [The State of Public Sector Institution Strategic Planning and Preconditions for its Improvement], *Social sciences studies* 4(1): 97–110. ISSN 2029-2236.
- Zabolotnic, V. 2007. Questions and Answers about the Functional Review of the Central Public Administration in the Republic of Moldova. Available on the Internet: <<http://rapc.gov.md%2Ffile%2FQuestions%2520and%2520answers%2520about%2520the%2520functional%2520review%2520of%2520the%2520central%2520public%2520administration%2520in%2520the%2520Republic%2520of%2520Moldova.doc>>.
- Živilė TUNČIKIENĖ** works at Vilnius Gediminas Technical University, Faculty of Business Management, Department of Social Economics and Business Management. She is Associate Professor. Research interests: management of socioeconomic development, strategic management of public sector.
- Iona SKAČKAUSKIENĖ** works at Vilnius Gediminas Technical University, Faculty of Business Management, Department of Social Economics and Business Management, Associate Professor. Research interests: taxes, taxation, tax system evaluation, budget revenue formation.
- Adriana GREŇČIKOVÁ** works at University of Alexander Dubcek in Trenčín, Faculty of Social-Economic Relations, Department of Management and Development of Human Resources. She is Associate Professor. Research interests: microeconomics, macroeconomics, organizational behavior, labor market a employment policy, human resources management, personnel management.