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THE INSTITUTIONAL FOUNDATIONS FOR PERFORMANCE BUDGETING: AN OECD COMPARATIVE PERSPECTIVE

Barry Anderson
OECD

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Perhaps The Most Important Trend In Government Budgeting Is The Shift To **Performance Budgeting**

- Away from “Budgeting for Inputs”
 - “*How much* money can I get?”
- Towards “Budgeting for Measurable Results”
 - “What can I *achieve* with this money?”

See: Performance Budgeting in OECD Countries, OECD, September, 2007.

But What Is Performance Budgeting

- **Presentational Performance Budgeting**—No formal mechanism incorporates Performance Information (PI) into the budget process. (Denmark, Sweden)
- **Performance-Informed Budgeting**—PI informs budget allocations along with other information & loosely links planned performance to funding. (NZ, UK, Australia)
- **Direct Performance Budgeting**—Directly & explicitly links performance results to funding. (Limited use, mostly in certain sectors {education & health} & countries {Nordics}.)

Performance Information Improves the Quality of Government Decision-Making

- ✓ It generates a **sharper focus on results** within the government.
- ✓ It provides **more & better information** on government goals & **priorities**, & on how different programmes contribute to achieve these goals.
- ✓ It encourages a **greater emphasis on planning** & acts as a signaling device that provides key actors with details on what is working & what is not.
- ✓ It **improves transparency** by providing more & better information to Parliaments & to the public.
- ✓ It has the potential to **improve the management** of programmes & efficiency.

OECD Guidelines for the Use of PI

1. **There is no one model** of performance budgeting.
2. A **whole-of-government** planning & reporting **framework** is important.
3. **PI should be integrated** into the budget process.
4. Designing government-wide **systems that automatically link performance results to resource allocation should be avoided**, because such systems may distort incentives.
5. Meaningful & accountable PI requires **reliable output & outcome** data that are continuously updated.
6. Timely & straightforward **assessments** of performance information should be carried out **independently of the spending ministries** & be supported by external expertise.
7. The **support of political & administrative leaders is vital** for implementation.
8. The staff & resource **capacity** of the ministry of finance & spending ministries **is critical**.
9. **Reform approaches need to be adapted** to evolving circumstances.
10. It is important to develop **incentives to motivate civil servants and politicians** to change their behavior.

Few Countries Have Successfully Integrated PI Into Their Budget Processes

- Issues remain on:
 - how to improve the use of PI in budgetary **decision making**;
 - how & if PI should be related to **resources**;
 - how to improve the **measurement** of activities;
 - how to improve the **quality** of information;
 - how to get **politicians** to use PI in decision making.

OECD Guidelines for the Implementation of PI

1. **Find** an implementation **approach appropriate** to the wider governance & institutional structures, & **allow flexibility** in implementation.
2. **Get the support** of political & administrative leaders.
3. **Develop the capacity** of the finance ministry & spending ministries.
4. **Focus on outcomes**, not just outputs.
5. **Have precise goals**, & measure & monitor progress towards achieving them.
6. **Ensure good knowledge** of the program base.
7. **Limit the number of targets**, but use many measures.
8. Have **information systems that communicate** with each other.
9. Promote **cross-organizational co-operation**.
10. Emphasize **consultation & ownership**.
11. Consider how **budget rules** can **influence behavior**, for good or for bad.
12. **Adapt reform approaches** to changing circumstances.
13. **Improve the presentation** & reporting of performance information.
14. **Recognize the limits** of performance information.
15. Remember that **the journey is as important as the destination**.
16. **Manage expectations**.

Concluding Remarks

- The road from incremental-based budgeting to successful results-based budgeting is long & difficult.
- But, most OECD countries cannot imagine operating a budget system today without using Performance Information.
- Instead, countries are evolving their performance approaches rather than discarding them.
- And there is a need for more realistic expectations & greater efforts to get all stakeholders on board.