PERFORMANCE INFORMATION FOR PERFORMANCE BUDGETING[1]

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I. INTRODUCTION AND OBJECTIVES OF PAPER

Performance budgeting aims to improve the efficiency and effectiveness of public expenditure by linking the funding of public sector organizations to the results they deliver. Performance information is a fundamental tool of performance budgeting because it is only through the systematic use of performance information that the link between funding and results is made. The availability of the right type of performance information—which is the focus of this paper—is therefore a core prerequisite for the success of performance budgeting. It should, however, always be borne in mind that getting the performance information right is necessary but not a sufficient condition for the success of performance budgeting. It is equally important to create the appropriate processes to ensure that the information is actually used. More generally, performance budgeting needs to be accompanied by a broader set of "managing for results" reforms to encourage agencies and individuals to perform better.

There are a variety of models of performance budgeting, which differ in the manner in which they seek to link results to funding. The diversity of performance budgeting models has increased, moreover, during the past two decades, because during this time there has been considerable effort in a number of countries to design and implement models of performance budgeting which create strong links between funding and results. For example, in the "purchaser-provider" model—which has been used successfully in hospital funding "diagnostic-related group" (DRG) funding system—service-delivery agencies receive funding on a per-unit basis for the outputs which they deliver to the public.[2] In another approach, the British "Public Service Agreement" system is one in which the linkage is through the setting *as part of the budget process*[3] of demanding performance targets, focused primarily on outcomes. Such models differ importantly from performance budgeting of the more mainstream and traditional type, the aim of which is to ensure that performance information is systematically considered in the preparation of the government-wide budget, as a means both of making better decisions about the allocation of scarce resources and of increasing the pressure to perform.

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[1] This paper draws on Part Two of *Performance Budgeting: Linking Funding and Results*, ed. M. Robinson (Palgrave MacMillan/IMF, 2007). See also the references contained in the relevant chapters of that book.

[2] Expressed differently, the agency receives from the government a "price" for each service.

[3] More precisely, as part of the spending review process which now takes place every three years.

It is important to be clear about this because the information requirements of different performance budgeting models differ considerably in both degree and kind. The purchaser-provider system, for example, requires information on the costs of each specific type of service delivered to the public in order to inform the setting of relevant "prices" for those services. Thus DRG hospital funding systems set prices for hundreds of different types of hospital services, and requires commensurately detailed and precise cost information. It is therefore not possible to discuss the information requirements of performance budgeting without being clear about the form of performance budgeting in question.

In this paper, the focus is on the basic model of performance budgeting which, as indicated above, aims to systematically inform the preparation of the annual government-wide budget. Such performance budgeting requires two fundamental informational tools. The first is the programmatic classification of the budget—that is, classification of expenditure by objectives (usually outcomes), rather than solely by economic and organizational categories. The second is results information—information about the objectives of programs and the extent to which those objectives are being achieved. The idea is that, by making available this information on the cost of and benefits of programs to budget decision-makers, better decisions on where to spend limited public resources will be made. In this type of performance budgeting, the link between results and funding is a loose, but nevertheless important, one. This type of performance budgeting is less demanding of performance information than are those newer models mentioned above. Nevertheless, its performance information requirements remain quite demanding, and the challenges which it raises in respect to the design and implementation of the supporting performance information systems are far from trivial.

In discussing the information requirements of performance budgeting, the fact that performance budgeting should be viewed as part of a set of wider "managing for results" (MFR) reforms has important implications. MFR aims to make public management systems generally—and not only the budgeting process—more focused on effectiveness and efficiency. For example, an important strand of the MFR package of reforms is "strategic human resources management" reforms designed to change civil service employment and remuneration practices to motivate and encourage government employees to improve their service delivery to the public. Associated with this, management process and organizational structures usually need to be reformed. Another obvious area of importance for MFR reform is the improvement of performance accountability mechanisms so as to better inform the public and parliament about the effectiveness and efficiency of government.

Each of these areas of MFR reform, as well as other areas not mentioned, needs to be underpinned by better performance information. For example, a crucial ingredient in making the civil service more performance-oriented is the improvement of information on the activities and outputs of individuals, workgroups and agencies. The implication of this is that government-wide performance information strategy should be designed to meet not only the needs of performance budgeting, but of MFR processes more generally. It is not appropriate, for example, to attempt to develop a system of performance measurement aimed exclusively at budgeting applications, and entirely separate sets of measures used for civil service management, accountability and other purposes. The government-wide performance information system should, rather, be developed as an integrated whole.

In this context, it should be stressed that this paper is not focused on performance information systems for MFR in general. It is, rather, more narrowly focused on how to ensure that the right type of information is able to support the systematic consideration of the program costs and benefits of expenditure options during the preparation of the government-wide budget.

The stakeholders in "basic" performance budgeting are budget decision-makers—those, in other words, who could use it to make better and more systematic use of performance information when they decide on the funding levels to be given to competing programs and agencies. These key budget decision-makers may be grouped into three categories:

- **Central executive budget decision-makers**: We can distinguish here between political and bureaucratic decision-makers. The former refers to the political leaders who are empowered to make the ultimate decisions at the government-wide level on how resources should be allocated. Depending on the political system, such power can be allocated in differing ways between the President, Prime Minister, Finance Minister and the Cabinet/Council of Ministers as a collective. The bureaucratic decision-makers are those central agency bureaucrats who have the greatest influence on these government decisions. Usually, the Ministry of Finance (MoF) is the most important of these, but again depending on the administrative and political system, other bodies such as planning ministries may be important players.

- **Parliament**: whether the parliament can truly be considered to be a key budget decision-maker depends on the political system of each country. Purely formal power should not be confused with real power. For example, in most "parliamentary systems"—that is, British-style systems where the government is chosen by the parliament and must retain the confidence of the parliament—real budgetary power lies mainly with the executive rather than the parliament. In such systems, parliament's role is primarily that of an instrument of accountability, rather than of executive decision-making. In presidential systems, which predominate in Latin America, the parliament often holds some measure of real budgetary power, although the distribution of real budgetary power between the parliament and the executive political leadership can differ considerably from one country to another. In the United States, as an extreme example, the independent budgetary power of the Congress is so great that there can be a limited relationship between the budget which the president proposes to Congress and that which Congress ultimately passes. For the purposes of this paper, what interests us is the information needs of parliaments when and to the extent that they are real budgetary decision-makers and not mainly accountability institutions.

- **Spending agencies**: The spending agencies have power over the allocation of resources via two channels. The firstly is through the manner in which they formulate their budget requests to the center. The secondly is through the decisions which they make about how to exercise the allocative discretion which is allowed to them by the center.

The principal focus in paper is on the information requirements of central executive budget decision-makers.

II. Results Information

The starting point in the development of systematic information on the results achieved by programs should be the development for each program of a clear statement in standard format indicating in summary form:

- Its objectives (which in most cases should be *outcomes*),
- The key outputs (services) and activities through which these objectives are intended to be achieved, and the clients/subjects to whom the outputs are delivered,
- The program's "intervention logic"—that is, the causal chain through which they program activities and outputs are seen as achieving its objectives,
- Certain supplementary information, including key new program initiatives.

Expressed differently, this information should include an explicit statement of the "production chain" for the service concerned: that is, the causal chain which runs from inputs to activities to outputs and finally to outcomes.

This information—which encompasses what is often referred to as the program "log frame"—serves a number of purposes, including accountability. For central budget decision-makers, the key point is to have available a readily digestible summary of the policy purposes for which each spending ministry is using public resources. This can be useful even when there is not much accompanying information about the efficiency and effectiveness of programs. It can help central decision-makers determine whether existing programs are serving objectives which have government endorsement. And it can also facilitate the most basic type of program evaluation. This is the "desk" assessment of whether, prima facie, the program's intervention logic is plausible: whether, in other words, the manner in which the program's outputs and activities are supposed to achieve its objectives seem to make sense.

The next step is information about the extent to which the stated objectives of programs are being achieved. There are, of course, a range of analytic methods which are available for this purpose, some of which can be quite sophisticated (e.g. benefit:cost analysis, longitudinal studies, DEA analysis). In practical terms, however, the two most important categories of performance information are performance measures and evaluations.

Irrespective of the technique chosen, uncertainty in the relationship between resources and results represents and major challenge for the development of good results information. This uncertainty enters particularly at two key points in the production chain, namely:

- The outcome/output relationship: the outcomes achieved through the delivery of outputs can very considerably between clients or over time as a result of "contextual factors"—characteristics of the client or of the external environment which influence the effectiveness of the service. A familiar example is the impact of student characteristics such as family background (e.g. educational and language background of the parents) on the knowledge outcomes achieved by school education.

- The relationship between outputs, on the one hand, and the inputs and activities which produce them: the same inputs and/or activities may deliver different quantities of the same output. This may occur because of a number of factors including intrinsic cost variations and "heterogeneity".[4]

This points to the desirability of accompanying the summary program information referred to above with an explicit statement of the most important factors which may create uncertainty about the outputs and/or outcomes which particular programs will deliver, including:

- The major contextual factors which might impact on the outcomes delivered by the program.

- Possible changes in the client mix or other similar factors which may impact on the average cost of services.

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[4] An example of the first of these is differences in the costs of providing services in more remote areas, due to (amongst other things) lack of scale economies and costs associated with distance. Heterogeneity, on the other hand, refers to the deliberate variation of the activity context of services to reflect differences in the needs of clients. An example is the more intensive treatment which might be required by an elderly persons to make a full recovery from a certain medical condition (e.g. a hip fracture) than would be required by the average young person suffering from the same condition.

A. Performance Measures

There are a wide range of issues which need to be considered in the development of performance measures to support performance budgeting (and MFR more generally). It is possible here to discuss only a selection of the more important ones.

Within limits, there are measurement techniques which are available to address the uncertainty problems referred to above. For example:

- Measures of educational outcomes can differentiate by relevant student characteristics: for example, comparing the outcomes achieved by students of a similar socio-economic background in different schools. Without this type of adjustment, school "league tables" tend to be more a measure of the socio-economic status of the school's student population than a measure of the outcomes delivered by the school.

- Where the per-unit activity or cost of a particular service differs significantly between regions or client types, performance measures can usefully bring this out by differentiating between those regions/client types. This facilitates analysis of whether such cost differentials are warranted by policy considerations such as equity.

Having said this, there are major practical limits to the degree to which performance measures can eliminate the effects of contextual factors or adjust for factors such as heterogeneity. This is one of the reasons why it is not possible to rely on measures alone as the information base for performance budgeting. The other reason why measures alone cannot suffice is that there are dimensions of performance which are very difficult to measure. For example, the measurement of output quality—the extent to which the service is designed and delivered in such a way as to deliver its intended outcomes—is often particularly problematic.

What can be done to maximize the relevance of performance measures to the key stakeholders—and in particular to the budget decision-makers who are the key to successful performance budgeting?

In part, the answer is, of course, to choose good indicators. Some of the "best practice" jurisdictions have developed good sets of criteria which can guide the development of performance measures. The "SMART" criteria identified in the UK are a good example, referring to the following characteristics: specific, measurable, achievable, relevant and timed.

To be useful to central decision-makers, who invariably have great demands on their limited time, program performance information needs to be readily digestible. A couple of key program indicators is, for example, more useful than a comprehensive compendium of dozens of indicators. The details is of more interest to program managers than to the center.

An interesting development here has been the development of *summary* measures which incorporate a wide range of performance information into one or more overall performance ratings for the program. A good example of this is the measures of program performance which have been developed under the US Program Assessment Rating Tool (PART). Under the PART system, the US MoF (the Office of Management and Budget) set about rating all federal government programs over a period of 5 years. Each program is rated on a scale of 4 ratings, ranging from effective to not effective (there is also a “results not demonstrated” rating, used where there is insufficient information to form a judgement). These summary ratings are intended to be much more informative and readily understood than the large body of more detailed measures and evaluations which underpin them. The program ratings, and the reasoning behind them, are all made public (on the website ExpectMore.gov). Most importantly, the PART system was designed from the outset to inform the preparation of the president’s budget proposal to Congress.

How useful is this model for other countries? Such summary measures clearly have huge benefits. However, there is a political problem with the PART-type approach which one needs to be honest and explicit about. In many (perhaps most) countries, there would be a real difficulty about the MoF, or some other central executive agency, publicly and objectively rating the performance of every program. This would open the government to serious attack for every badly-performing program, and would essentially amount to asking executive government to “hang out its own dirty linen”. The practical consequence of this is that there would be enormous pressure on the Ministry of Finance to “sanitize” its program ratings, putting the credibility of the whole process at risk. The reason for the difficulty is that in most countries the public assumption is that government spending is under the control of executive government, so that if a program is revealed to have been performing badly, the question will inevitably be “why didn’t the government do something about this?”. A key point here is that PART is something very different from, say, performance auditing by a supreme audit institution, in that it is intended as an executive decision-making tool, and not as an accountability instrument.

Arguably, PART works in the USA precisely because the budgetary powers of the executive are so weak. Because of this weakness, there is no public assumption that it is the president and the executive government alone who control and should therefore be held accountable for public spending choices. Americans are well aware of the power of the Congress over the budget. Under these circumstances, a PART-type system may function in part as a tool by which the executive may apply pressure to the Congress to cut spending on some of the programs which are ineffective but which exist largely for political reasons. (It should also be noted that in the US the Congress itself seems to make quite limited use of performance information in making budget decisions.)

Another consideration is that a PART-type system relies upon the prior existence of a well-developed system of performance measures and evaluation, because the summary ratings draw to a large degree on this more detailed information. PART was only possible in the US because performance measurement and evaluation have received so much attention over a period of decades preceding its introduction (including most recently in the wave of results-oriented reform which followed the passage of the Government Performance and Results Act of 1993). It would be futile to attempt to create such summary ratings in a country without such a solid base of detailed performance information.

This suggests that the value of PART-style summary indicators *as a performance budgeting tool*—that is, as a tool for central budget decision-makers—may be limited in many countries.

This is not, however, to say that summary performance measures do not have enormous potential in other MFR applications. A particular case in point here is the development by national governments of summary indicators of the performance of sub-national government. A particularly exciting case in point is the "Comprehensive Performance Assessment" (CPA) system developed in recent years in the UK, under which a national government body (the Audit Commission[5]) prepare composite performance ratings for each local government in England on a 0-4 star scale.[6] These ratings have two MFR applications. The first is that of accountability: the ratings are made public, and the political pressure which may result from a bad rating can be considerable. The second application is as the basis for national government oversight of local government operations. The CPA ratings are used to decide when national government intervention may be necessary to fix particularly poor-performing local governments, as well as to determine which entities perform particularly well and can therefore be rewarded with additional regulatory freedoms.

The CPA instrument builds on another very useful tool. This a system of standardized measures covering all local government, which facilitate "like on like" comparisons of performance. The UK system now encompasses a set of 198 standard indicators developed and reported on a regular basis by the Audit Commission, all of which are publicly

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[5] Not to be confused with the National Audit Office.

[6] Composite ratings are prepared in respect to two matters: "performance against other councils" and "direction of travel" (i.e. is performance getting better?). In addition to the overall ratings of local government performance, the Audit Commission also carries out ratings of specific aspects of performance (Housing; Environment; Benefits; Culture, plus "Use of Resources". See http://www.audit-commission.gov.uk/cpa/index.asp.

available.[7] Something similar has been developed in Australia to provide standardized indicators covering the functions of state government.

If performance measures are to be relevant to central budget decision-makers, it is essential that the center is closely involved in identifying the key measures which will be reported both to it and to the public. It is often, and correctly, stressed that line ministries should have "ownership" of their performance measurement systems, and that for this reason they should have considerable discretion in the selection of measures. This is certainly true, because each ministry's performance information systems must serve its own management needs. The information supplied to the center (and indeed to the public) should represent only the "tip of the iceberg" of the information each agency produces. It would, however, be a grave mistake to conclude from this that line ministries should therefore be permitted full discretion to choose whatever measures they wish to supply the MoF and political executive. The obvious risk is that such discretion would be abused either to supply measures which are not very revealing, or to change the measures used so much from year to year that it becomes impossible to identify trends. This means that the center—usually the MoF—needs to be closely involved in identifying the measures it wishes to receive from each line ministries. This has important implications for the skill set and capacity of the MoF.

Another way of increasing the relevance of performance measures for central budget decision-makers is to build a system of *performance targets* linked to the budget process. As indicated above, the UK PSA system is probably the international model *par excellence* for this. Each target is of course dependent on an underlying measure. The exercise of selecting a small number of key performance targets for each ministry for which the government will be accountable, and in respect to which considerable pressure will be applied to ministries, is one which greatly encourages care and effort in the selection of decision-relevant key performance measures.

This should not, however, be interpreted to mean that all countries should seek to establish target-setting regimes. For many countries, this may be quite inappropriate. This might seem like a heretical statement today, because there is apparently a quite widespread assumption that as soon as you develop performance measures, you should start setting targets for those measures. It is, however, worth bearing in mind that:

- Setting appropriate and credible performance targets is quite difficult. Selecting which measures to turn into targets is difficult, and the challenge of the quantitative targets neither too difficult or too easy is quite considerable.

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[7] See http://www.audit-commission.gov.uk/performance/, and http://www.local-pi-library.gov.uk/index.html.

- Performance targets, much more than performance measures alone, raise the danger of so-called "perverse effects" (undesirable and unintended side-effects). For example, setting demanding targets for output quantity might lead to an erosion of output quality. The issue of perverse effects is an important more general one to which it is impossible to do justice here. One key point, however, is that the risk of such perverse effects is greatly reduced to the extent that other aspects of the governance system—including the quality, morale and motivation of the civil service—are strong.[8] This is clearly not the case in all countries.

- The UK experience of setting targets which have really been taken seriously in driving performance would seem to be the exception rather than the rule. There are many other countries which have set, or required line ministries to set, performance targets but where these targets seem not to have been taken very seriously.

This suggests not only that the decision to move to a target-setting regime should be taken with care, but also the development of performance measures and the setting of targets should be thought of as two quite distinct stages in the evolution of performance budgeting and MFR systems.

B. Evaluation

Precisely because of the limits on performance measures, good program evaluation is fundamental to successful performance budgeting. Good evaluation makes use of performance measures, relevant theory, analytic reasoning and other techniques to form a best judgment about program performance.

Evaluation had a bad name for a while, reflecting problems which arose during the last wave of enthusiasm for evaluation in the 1970s and 1980s. Arguably, evaluation at that time too often went off the tracks, becoming an industry driven by its own internal dynamics rather than by the needs of decision-makers. There was a widespread tendency for evaluations to take too long to complete—so that often decision-makers were forced to act prior to getting their results—and to be too inconclusive to be of much practical use. They were often too "academic" in the sense of being reluctant to draw conclusions about program efficiency and effectiveness unless the evidence was completely conclusive, which in the real world it rarely is. Sometimes, the main recommendation of evaluations would be that further research be conducted!

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[8] See on these issues E. Paul and M. Robinson "Performance Budgeting, Motivation and Incentives", in *Performance Budgeting: Linking Funding and Results.*

Evaluation—and evaluation linked to the budget process—is now enjoying a resurgence. The pioneer has of course been Chile, which first introduced its system of evaluations to inform budget preparation in 1997. More recently, a broader trend seems to have been emerging, with other countries following Chile's lead. An example of this is the "Strategic Review Framework" introduced in Australia in 2007. Under this framework, a selection of key program and cross-cutting reviews are being conducted each year as a tool for aligning expenditure more closely with government priorities and increasing flexibility in the face of pressures for the growth of government expenditure. Similarly, in Canada, a new system of "Strategic Reviews" is being introduced under which program expenditure is being reviewed, under the direction of the Treasury Board, with the express objective of improving expenditure prioritization, as well as efficiency and effectiveness more generally. One of the aims of this system is to identify the lowest-performing 5 percent of programs and reallocate the resources concerned to higher priorities.

Key themes of the "new" evaluation include an emphasis on timely, practical, decision-relevant evaluations. As with performance measures, the strategic role of the center in identifying what should be evaluated in order to inform budgeting, and how and by whom it should be evaluated, is crucial. These matters cannot be left to the spending ministries alone if central decision-makers are to obtain the information they need.

An important issue in this context concerns the strategy for determining what is to be evaluated. One possible approach—which was, for example, that adopted by Australia for a period in the 1990s—is to say that all government programs shall be evaluated over a defined multi-year time period (in Australia's case, over 5 years). This puts the selection of programs to be evaluated on auto-pilot, with every program coming up for (re)evaluation every, say, 5 years.

The opposite approach is for the center to be deliberately selective about the programs which it wishes to see evaluated, and to target these based on its own policy considerations. For example, central decision-makers might identify certain program areas for review because, prima facie, they appear to be low priority—or, alternatively, because performance problems have surfaced. Such a "strategic" approach has obvious advantages, but it equally has the disadvantage that unobtrusive programs might escape attention for long periods of time.

Of course, meeting the needs of central budget decision-makers is not the only reason to conduct program evaluations. Spending ministries may well—in fact, should—wish to continue other, often more in-depth, evaluations of their programs for their own managerial purposes.

III. Cost information

As noted above, the core information requirement on the cost side is good program costing. For performance budgeting purposes, program costing is not something which is done only for the ex post information purposes. The aim is, instead, that the budget is prepared and executed on a programmatic basis. This means, for example, that ministry budget "bids" should be presented in program format. It will usually mean also that the legal budget appropriations will be based on programs. For these reasons, it will also be necessary that budget execution can be monitoring on an ongoing basis during the fiscal year on a program basic. That is, both the spending ministry and the MoF should be informed on a regular (preferably real time) basis of how much has been spent under each program heading.

For these purposes, the starting point is good program classification, so as to ensure that the programs are decision-relevant. Because programs are intended to be a tool for improved decision-making, programs should as far as possible reflect the key allocative choices which face government. This means, amongst other things, that they should all be defined by reference to clear shared expenditure objectives. Ideally, this will mean that programs bring together expenditure aimed at achieving a common outcome. The technical challenge of good program costing is a considerable one, in which a number of distinct issues arise.

A particularly important challenge is that of *indirect cost attribution*.[9] As just noted, best practice would be for all programs to be defined in terms of outcomes and outputs delivered to the public. If this is done, then the costs of the internal support services of ministries (such as human resources, information technology, departmental financial management, senior ministry management etc) should ideally be attributed to the outcome/output based programs in accordance with the contribution which these support services make to the services delivered to members of the public. Expressed differently, there would ideally be no "administrative" programs grouping together such support services, because these services merely support the deliver of the final products which matter to society.

However, to the extent that this best practice principle is followed, the challenge arises of ensuring that the costs of these support services are allocated to programs in a way which reflects, with an acceptable degree of accuracy, the contribution which each support service makes to the ministry's final products. If indirect costs are allocated in an essentially arbitrary way, as all too often happens, the resultant program costings can be seriously distorted. There are well-developed accounting methodologies and technologies, of various degrees of sophistication (e.g. activity-based costing), to deal with the cost allocation

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[9] For a more detailed discussion of these questions, see the "Cost Information" and "Program Classification" chapters, in *Performance Budgeting: Linking Funding and Results.*

challenge. However, in low and even middle income countries, the financial and human resource costs of introducing and operating such accounting systems can be prohibitive.

For this reason, it will often make sense in such countries to accept the second-best solution of creating administrative programs which cover ministry support services, and thus reduce enormously the magnitude of the indirect cost allocation challenge.

Because of the centrality of the program basis to budget preparation and execution, it is necessary to modify the chart of accounts and the accounting system more generally to incorporate programs. This raises, in turn, the question of the relation of performance budgeting to financial management information systems (FMIS). Of course, much of the core information captured by a good FMIS is for financial control purposes which are unrelated to performance budgeting (e.g. registering commitments and controlling payments). However, the introduction of a performance budgeting will make it essentially that the FMIS is designed so as to be compatible with a programmatic budget format. Moreover, in more sophisticated systems, the key performance measures for each program will also be integrated into a module of the FMIS.

These remarks underline the significance of the managerial accounting task arising from the cost information requirements of performance budgeting, and the consequent need for significantly increased technical capacity and staffing within spending ministries and the MoF itself.

IV. Overarching Issues of Performance Information Strategy

The development of performance information systems is not simply a matter of developing the best and most comprehensive results and cost information possible. Rather, it is about a benefit/cost judgment. Performance information does not come free. It is costly both in financial and human capacity terms to design, build and then operate on a continuing basis the systems concerned. So careful judgments need to be made about how far to go in respect to choices such as:

- the number of performance measures to be developed,
- the selection of programs for evaluation,
- program evaluation methodology,
- the sophistication of costing methodologies and the associated design of the program classification system.

These choices face even the wealthiest countries. But they are particularly pressing for countries with more limited financial and skilled human resources. Such countries should be particularly selective and strategic in the development of performance measures. They should, in many cases, make use of quite simple program evaluation methodology—often desk evaluation based on an assessment of the intervention logic of the program together with whatever information on results achieved which may be available. And, as mentioned above, they should avoid going down a path which requires more complex managerial accounting. The temptation of adopting what appear at the time to be cutting-edge OECD practice—whether it be accrual accounting and budgeting at present, or purchaser-provider models ten years ago—should be studiously avoided.

Even if careful strategic judgments about the scale of the performance information system, the challenge of capacity development is a considerable one. It demands, in particular, great change in the skill set and competences of the MoF. Rather than being and exclusively economic/accounting body, the MoF must develop competence in policy analysis and in the development of performance information to support that policy analysis. Only in this way can it develop the capacity to advise executive government well about expenditure priority choices, in order to make effective performance budgeting possible.