



Some Observations on the Concepts and the State of the Art in Performance Budgeting

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Outline

1. What is performance budgeting
2. Performance budgeting in context of wider performance improvement initiatives
3. Setting performance goals and managing for outcomes & the role of the finance ministry
4. Budget classifications and financial controls
5. Low capacity countries and donors
6. Concluding comments



Performance budgeting today

- Definitions
- Evolution
- Wide variety of practices, scope and methods
 - Scope: from Baltimore to Astana
 - Methods: across the OECD



Performance budgeting in context of performance improvement

- Is PB alone or part of wider reform?
 - Wide variation in reform contexts
 - Variations in demands for budget reform
- The power of the ministry of finance
 - Core business not mission creep
 - Fiscal principles and rules



Performance budgeting in context of performance improvement (2)

- Melding constitutional principles and modern management
 - Time honored requirements in regulations
 - Delegation, flexibility and personal accountability
- Systems approach to performance improvement
 - Budget in context of best solution to particular performance issues



Setting performance goals and managing for outcomes

- Managing for outcomes – the holy grail
 - When it works and when it does not – from pot holes to international competitiveness
 - Policy analysis, attribution, measurement, expectations & risks, links to budget
 - Building up from services not down from outcomes
- The process for setting targets determines their value
 - Agreements not impositions
 - Capacity challenges with policy analysis



Role of the finance ministry

- Stay in role and on message for a budget agency
- Center of expertise on concepts, methods and processes
- Question, reflect and challenge
- Don't impose targets beyond expertise
 - Acknowledge complexity of sector policies
- Grow from detailed to strategic consideration of performance proposals



Budget classifications and financial controls

- Budget classification must relate to performance and appropriation in clean transparent way
- Devolve the responsibility for financial controls – don't abandon them



Low capacity countries, donors and performance budgeting

- Simplified models can help if the necessary foundations are in place
- Try to get harmony between budget development and donor accountability requirements
- Direct budget support offers opportunity and incentives
- 'Hot wires' may be needed but should model desirable future budget developments



Some key messages

1. Performance budgeting is primarily about the performance of the budget in all its dimensions – not an all purpose management system
2. Budgeting is politically not analytically rational – where performance budgeting is most needed it is least likely
3. Even small institutional details matter
4. The value of performance information depends largely on the whole management system not only the budget system



Some key messages (2)

1. The performance information in the budget should be only a fraction of the total - reflecting the needs of budget decisions
2. The power of the ministry of finance is crucial to what can be achieved – this is not about adopting best practices
3. Outcomes based management is not a 'bolt on' methodology but a commitment to continuous search for evidence of the effects of policy and other actions on results



Concluding comments

- Rich body of experience, documents, stories and some evidence of success
- A lot of performance improvement has not been due to budget changes
- OECD “the journey is as important as the destination”
- Performance is about people not budgets - filling potholes needs leadership