



DRAFT OECD BEST PRACTICES FOR PERFORMANCE BUDGETING

Meeting of Senior Budget Officials of CESEE Countries
Paris, July 6-7, 2017



Background

- Decades of experience of PB amongst OECD countries
- Mixed results including some disappointment
- Accelerating trend towards PB in MICs and LICs
- Substantial accumulated body of research
- OECD Performance and Results Network



Objectives



Distil experience
using research
evidence and case
studies



Offer advice and options
to countries updating
their approaches, or
newly adopting PB.



1. Defining Clear Objectives for the Performance Budgeting Systems

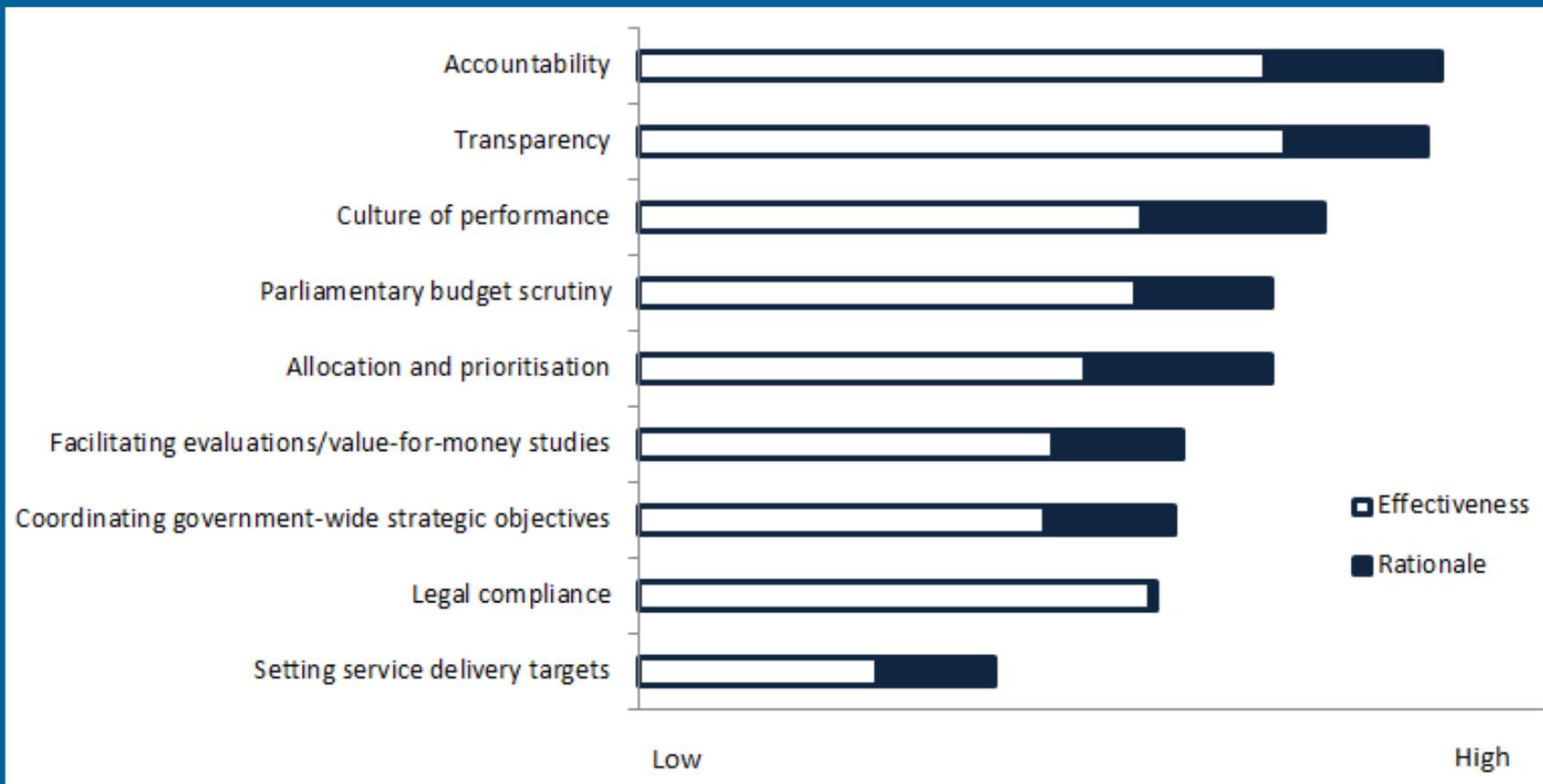
Rationale, objectives and approach to performance budgeting should be set out in a strategic policy document or law.

Take account of major stakeholders, including the centre of government, the legislature, the CBA, line ministries and the SAI.

Analyse constraints; skills, data, performance culture.



Ranking of Different Rationales for Introducing Performance Budgeting and Their Effectiveness in Practice





2. Linking the Performance Budget to the Strategic Goals of Government

Performance budgets aligned to national/sector performance strategies.

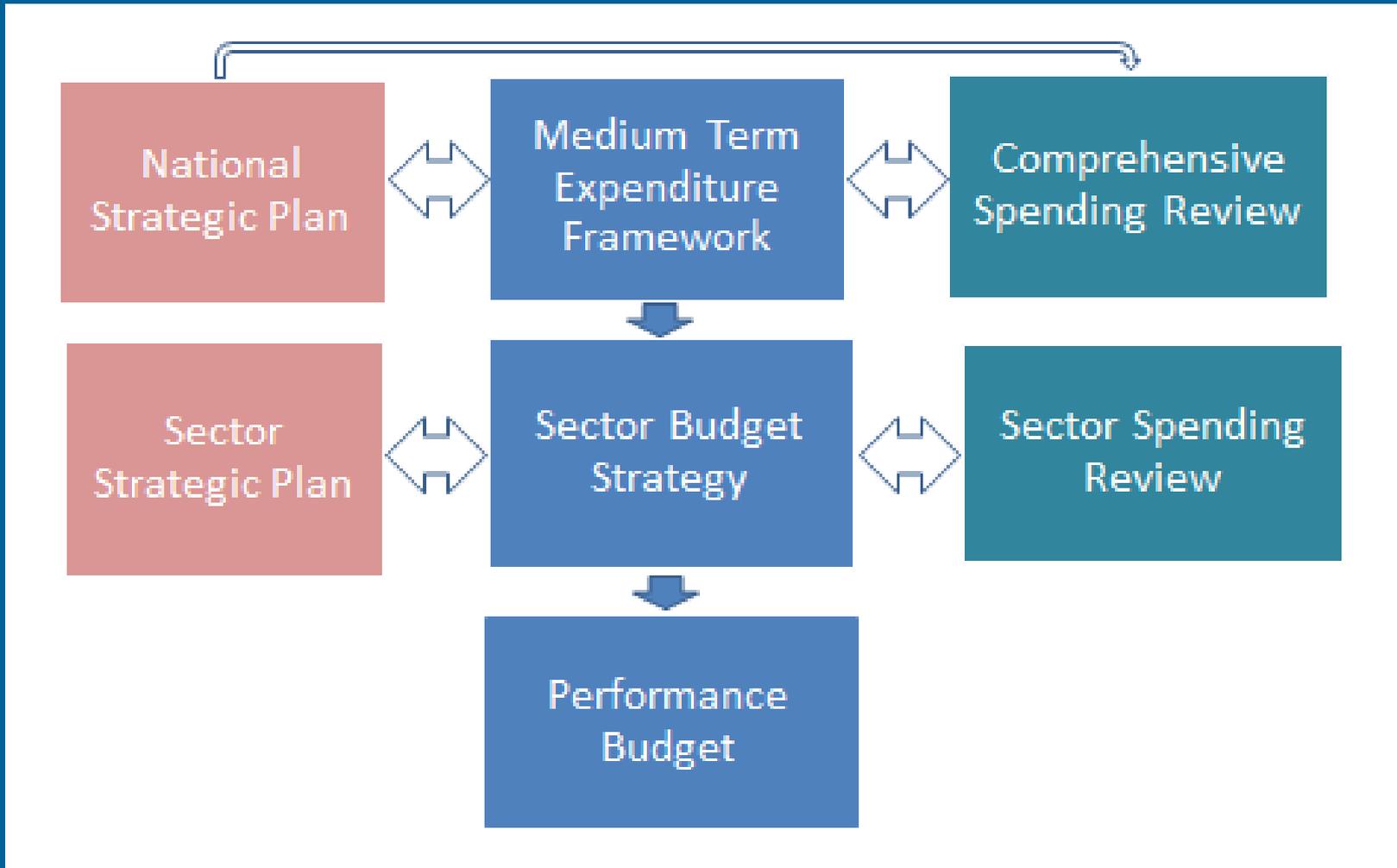
Medium term expenditure frameworks provide parameters for budget planning.

Periodic spending reviews improve the alignment of resources with policy priorities.

The centre of government to ensure adherence to priority policy goals and coordination across government agencies



Strategic Alignment of Budget





3. Ensuring the Quality of Performance Indicators

Performance indicators and targets consistent national policies and strategies.

Use outcome indicators wherever practical (also SMART).

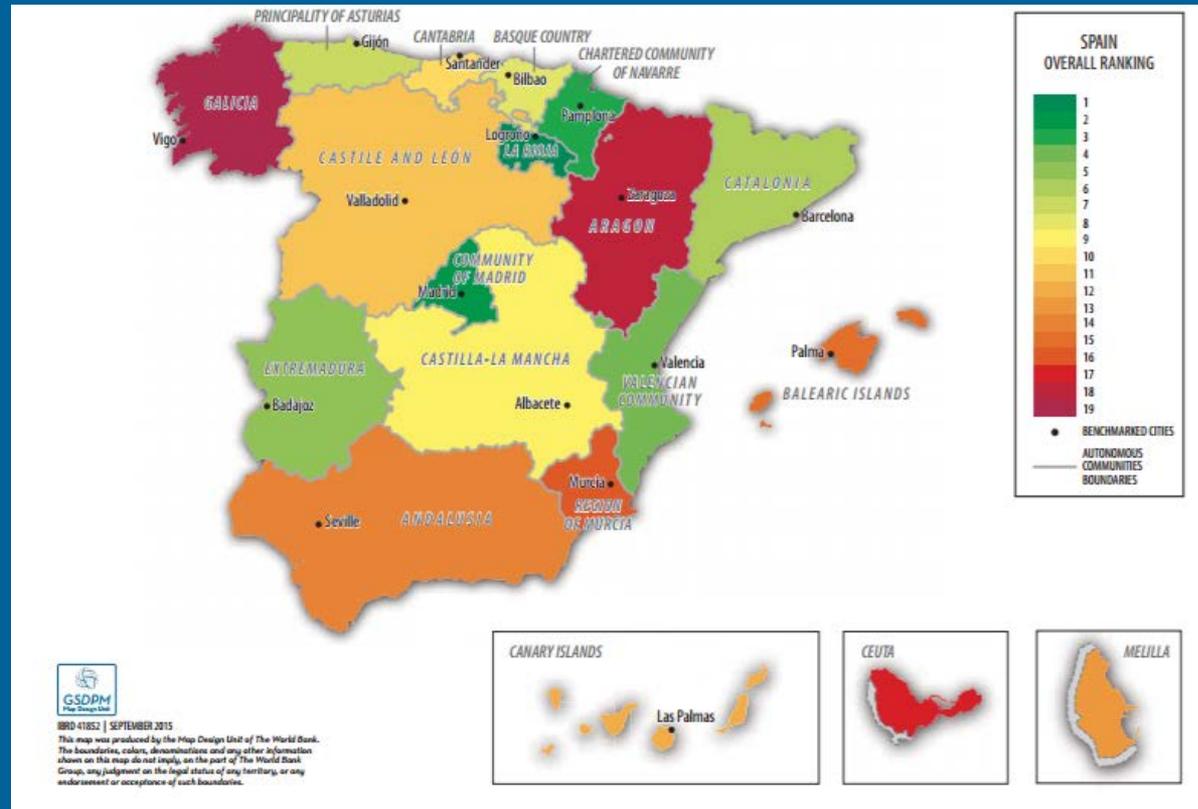
Indicators should facilitate comparison between entities or internationally (e.g. SDGs, PISA, Doing Business).

Performance data should be externally reviewed and validated to ensure quality.



Comparable Indicators

 1 Eradicate Extreme Poverty and Hunger	 2 Achieve Universal Primary Education
 3 Promote Gender Equality and Empower Women	 4 Reduce Child Mortality
 5 Improve Maternal Health	 6 Combat HIV/AIDS, Malaria, and Other Diseases
 7 Ensure Environmental Sustainability	 8 Global Partnership for Development





4. Creating the Infrastructure Needed to Support Performance Budgeting

Create a team dedicated to supporting performance budgeting.

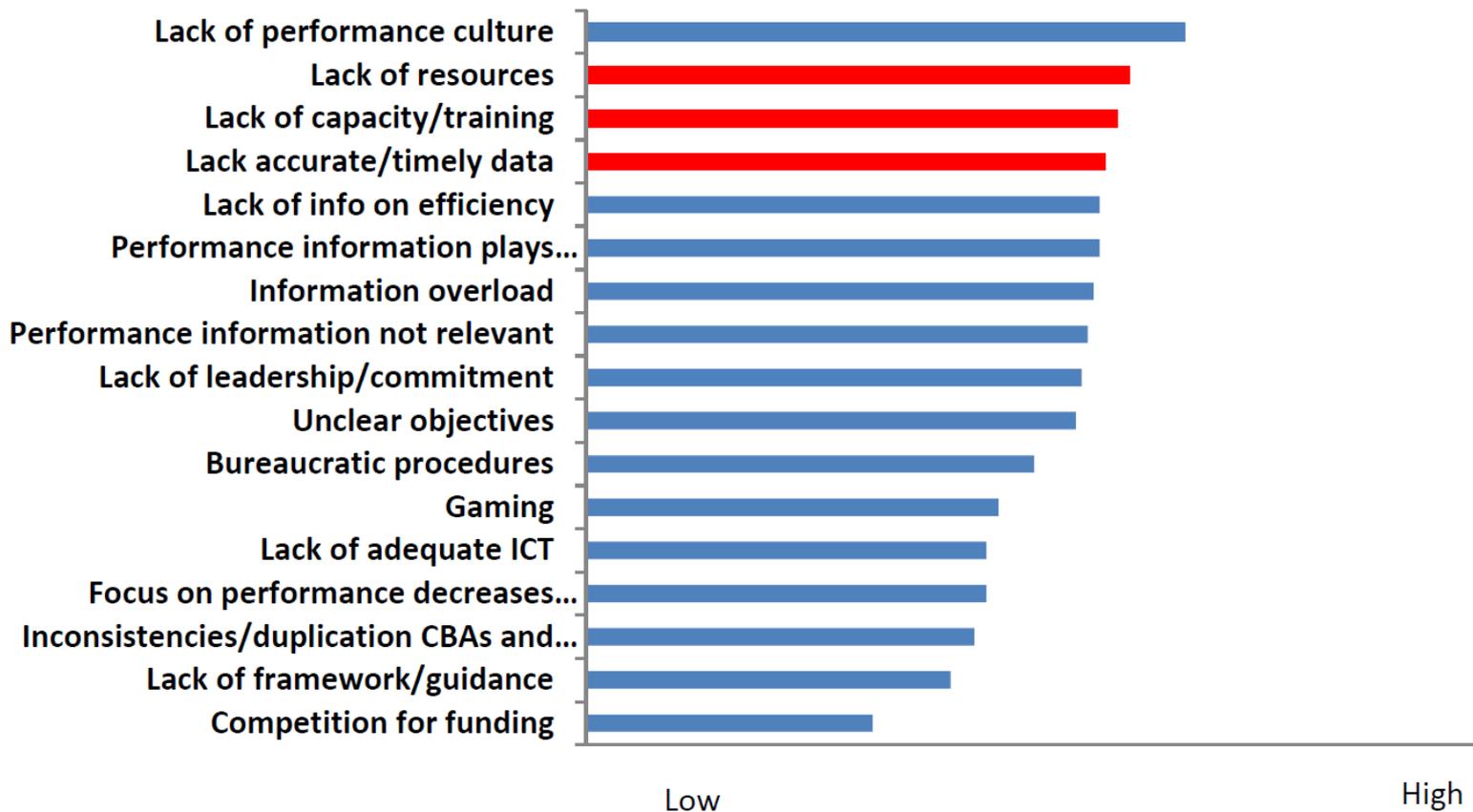
Training budget analysts - program logic, costing, choice of indicators, performance targets etc.

Computer systems integrate financial and non-financial performance data.

Develop oversight capability of parliamentarians and SAI in relation to PB



Ranking of Constraints





5. Addressing Complex Relationships between Budgetary Resources and Policy Outcomes

PB methodology has flexibility to handle the varied nature of government business.

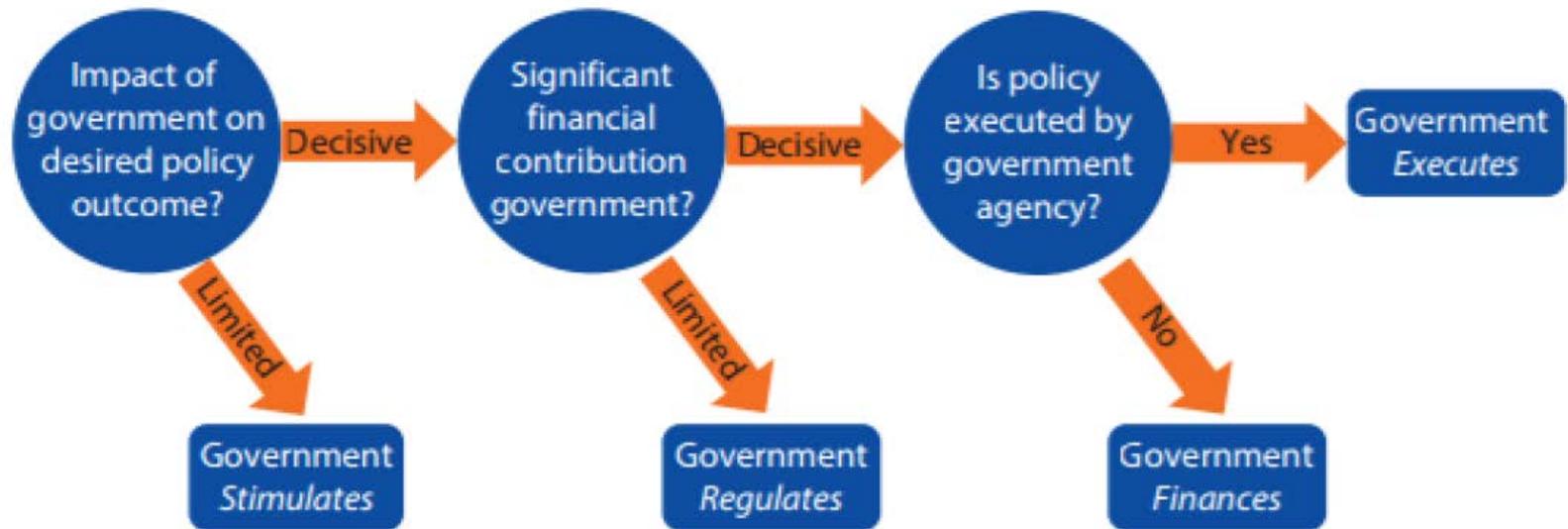
Differentiated approaches, including simplified formats, for some types of expenditure, within a unified overall approach.

Program structures aligned with administrative structures to ensure accountability, with minimum reorganization.

Cross cutting goals addressed by complementary programs and inter-ministerial coordination.



Analysing Relationships between Budget and Performance



Source: Netherlands Ministry of Finance.



6. Managing the Use of Performance Information

CBA restricts the number of programs and performance indicators to manage data volumes.

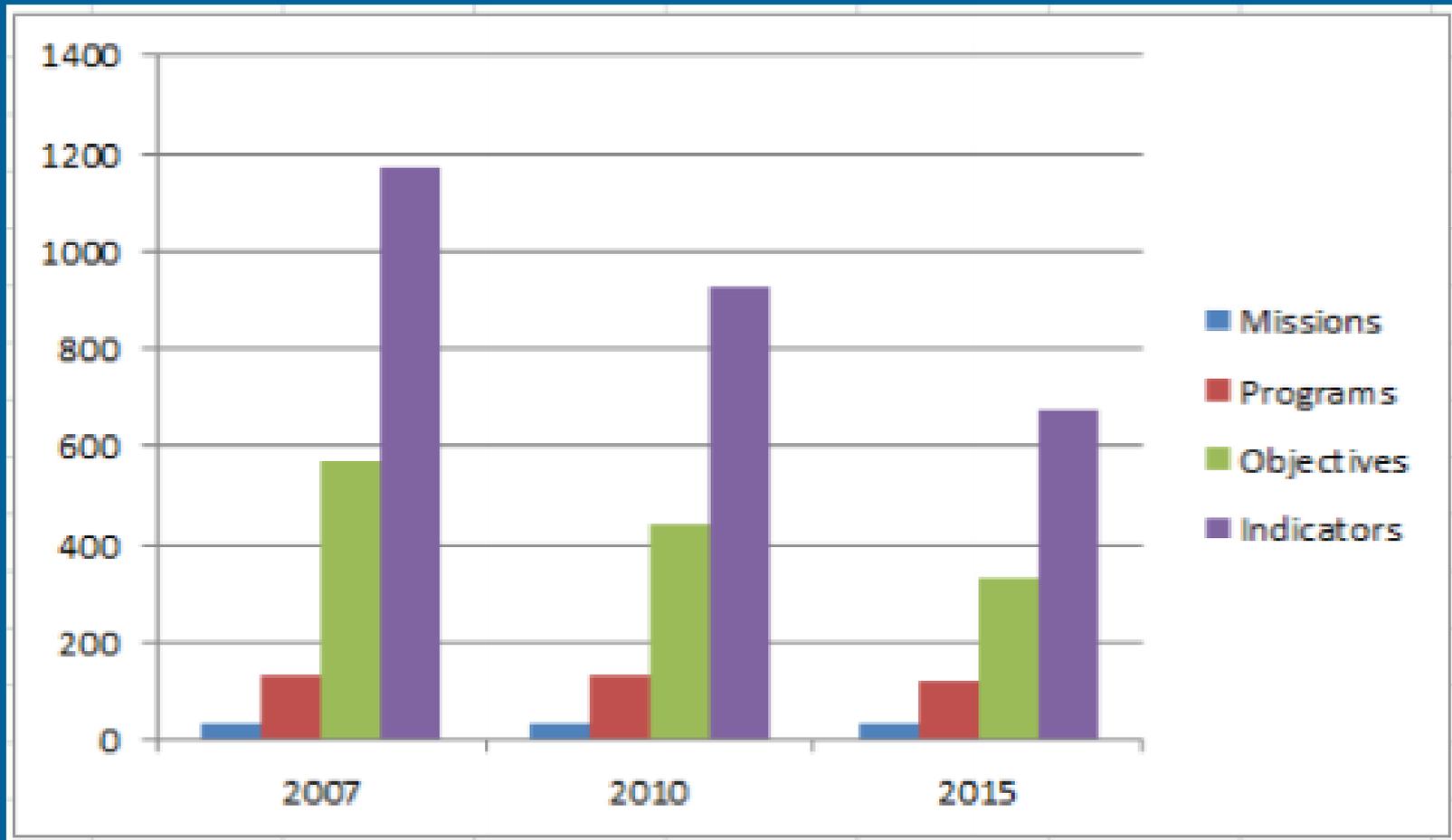
Reporting system filters and channel information to meet the needs of different users.

Subsidiary systems to manage complex programs (e.g. health or transport infrastructure), interface with the PB system.

Regular structured discussions to review financial and operational performance through the year.



France: Progressive Simplification





7. Balanced Incentives to Encourage Performance-oriented Behaviour

Identified individuals or teams responsible and accountable for the achievement of performance goals.

Regular discussions of performance held during budget execution, not just ex-ante and ex-post.

Responses to under-performance should emphasise learning and problem solving.

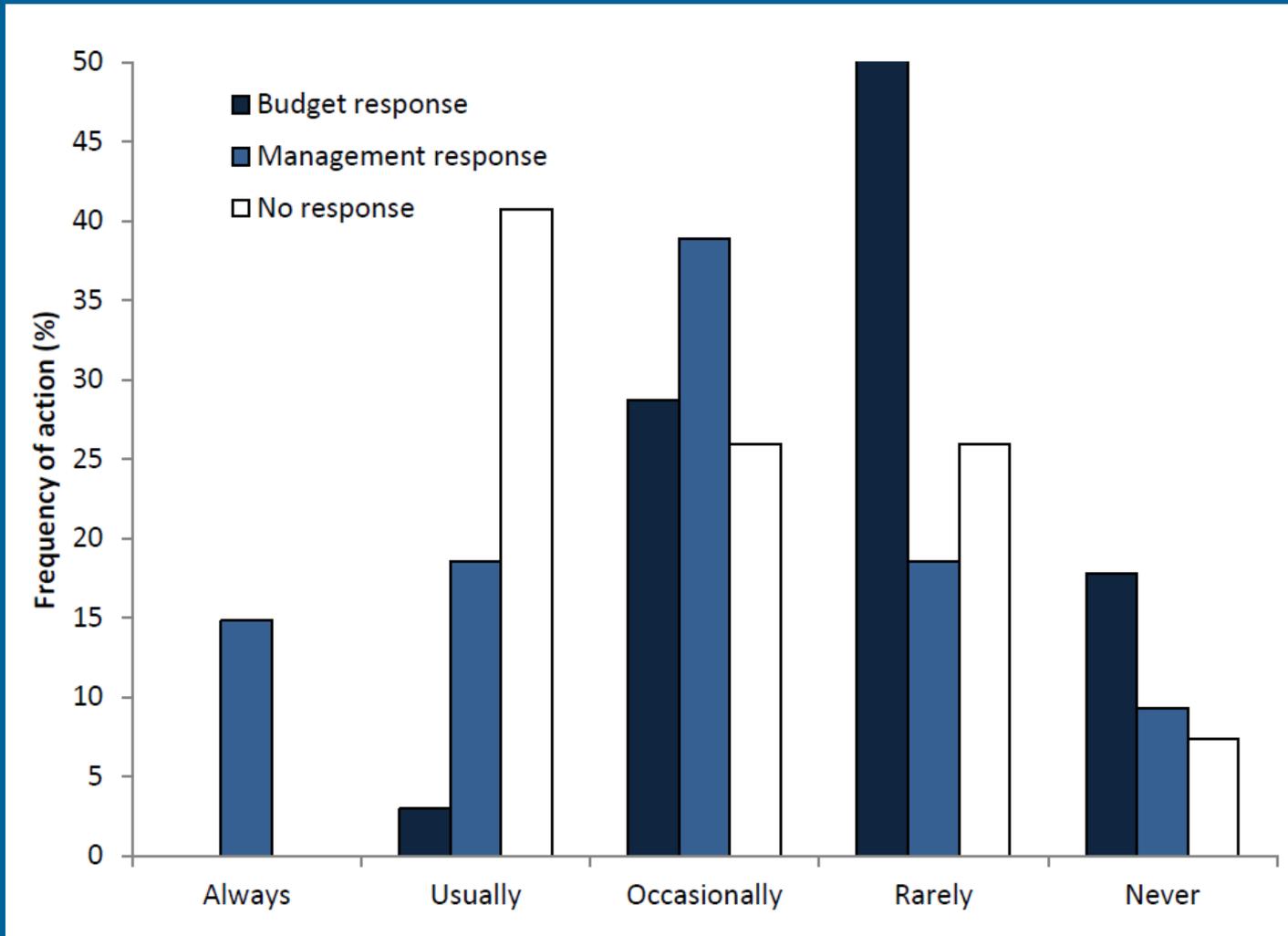
The centre of government reinforces performance oriented behaviour.

Positive reinforcement through individual and collective recognition.

Legislative committees play an active role in holding officials accountable for performance.



Responses to Under-performance





8. Strengthening Independent Evaluation and Oversight of Performance

Independent evaluation of all major spending programs on a rolling basis and reports publicly available.

Performance evaluations by financial and technical experts, covering policy, program design, program management and performance.

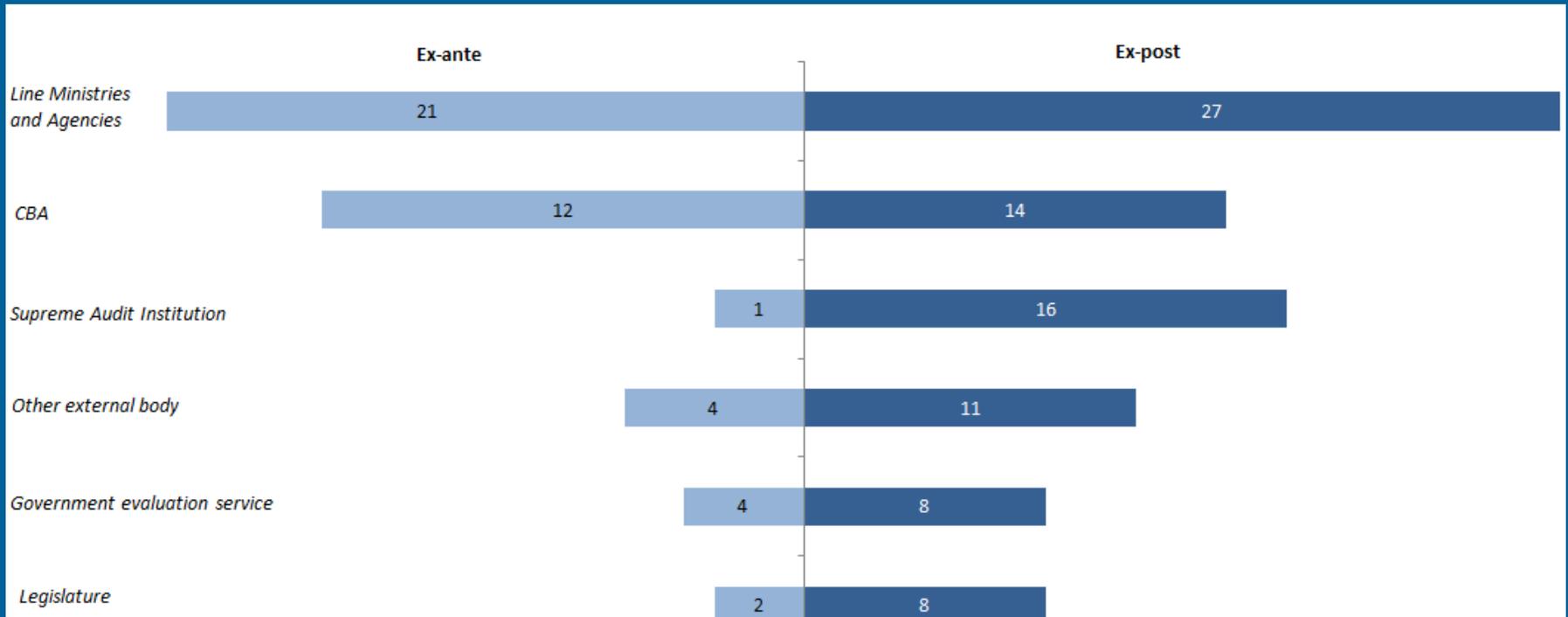
SAI carries out performance audits of important or high risk programs, including tests of the relevance, accuracy and reliability of performance data.

Legislature regularly reviews performance based budget statements and annual reports.

Committees hold officials accountable in the event of poor performance or misrepresentation.



Program Evaluation - Actors





Next Steps

**Incorporate
initial
feedback**

**Seek SBO
written
comments on
revised draft**

**Circulate
final text for
approval**