



Performance Budgeting

Ivor Beazley, PEMPAL Workshop, March 27th
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Purpose of session

- Introduce the main concepts and ideas to be discussed over the next few days
- Identify core issues for debate

Objectives of budgeting

- Macro fiscal discipline – long term sustainability
- Appropriate allocation of expenditure that matches policy objectives
- Spending efficiency and effectiveness

Performance budgeting – key features

- Objective – to improve effectiveness and efficiency of government spending
 - Presenting the budget in a way that links resource allocation to policy objectives
 - Focus on performance and the results of public spending
 - Process should inform choices about spending alternatives
 - Improving transparency and accountability of government

Similar concepts

- Terminology is confusing - similar approaches – different names
 - Program budgeting
 - Results based budgeting
 - Performance informed budgeting

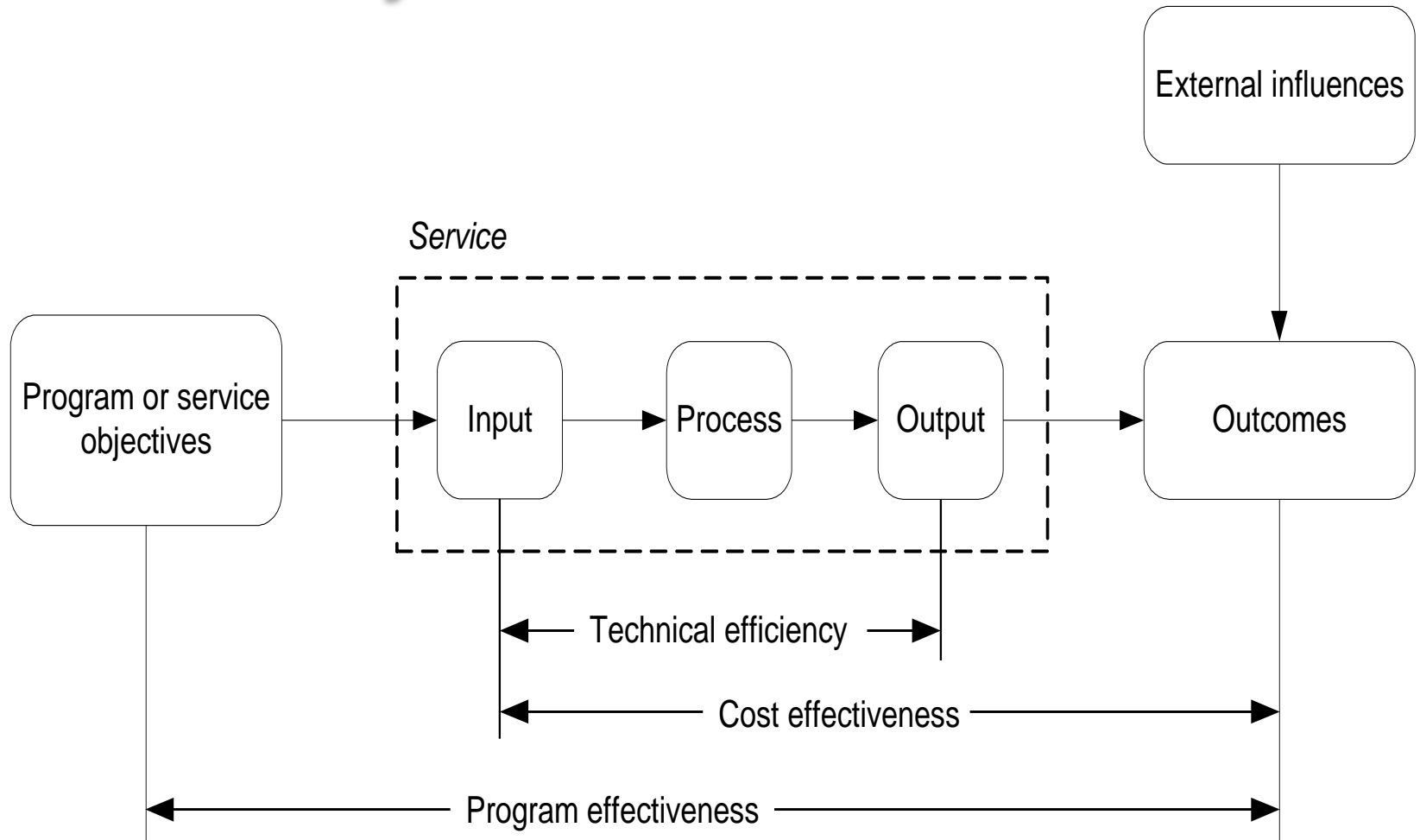
Levels of performance budgeting?

- Weak form
 - Presentational performance budgeting
 - Programs and performance goals
 - Instrument of transparency
- Moderate form
 - Performance informed budgeting
 - Instrument of accountability
 - Assists with efficiency
- Strongest form
 - Direct performance budgeting
 - Basis for budget appropriations
 - Contractual mechanisms (performance contracts)

Performance measurement

- Performance looks different depending on where you sit
 - As a beneficiary of a service, your perspective is typically different from that of the supplier
 - Quality of service versus cost of delivery
 - As a regulator, your interests are typically different from those of the regulated
 - Compliant behavior versus lightness of burden
- Government performance can be hard to measure due to the variety of stakeholders and complexity of services
 - Standard problems of government production

Logical framework for a performance indicator system



Performance management

- Performance budgeting is part of a wider set of initiatives that work together to deliver improve outcomes
 - Strategic planning and policy making
 - Human resource management
 - Information management
 - Transparency and accountability (evaluation, oversight)

Performance Management – basic requirements

- Managers at all levels know what results are expected of them
- They understand how their results contribute to higher level objectives
- They have appropriate funding and other resources to achieve these results
- They have adequate management flexibility to achieve these results
- All aspects of management must support a performance based approach – planning, budgeting and financial management, personnel management etc.
- As performance is a medium term concept management systems, including the budget, need a medium term perspective

A cultural transition

- Control & compliance
 - Rules governed
 - Limited flexibility
 - Non-preventive
 - Negative focus
 - Control of individuals
- Performance and accountability
 - Mission driven
 - Customer driven
 - Employee responsive
 - Flexible
 - Preventive
 - Positive team focus

Typical issues

- Integration of capital and recurrent budgets
- Clarifying the relationship between budget performance targets and national/sectoral plan goals?
- How to deal with cross cutting government programs?
- To what extent should performance targets translate into a contractual relationship?
- How far to relax budget controls and allow management freedom?
- Dependence on other performance management reforms