**EVENT REPORT: Joint Workshop of PEMPAL Budget Community of Practice (BCOP) Program and Performance Budgeting Working Group (PPBWG) and Budget Literacy and Transparency Working Group (BLTWG), November 5-6, 2019, Paris, France**

[1. Background 1](#_Toc24897628)

[2. Capturing Citizens’ Satisfaction, Perceptions, and Engagement in Performance Indicators 1](#_Toc24897629)

[How Does the World Bank Approach Citizen Engagement in Its Interventions? 2](#_Toc24897630)

[What are Practices and Trends in Capturing Citizens’ Satisfaction and Perceptions in OECD Countries? 2](#_Toc24897631)

[How Are Users’ Views Captured in Performance Indicators in France? 3](#_Toc24897632)

[How are Citizens’ Satisfaction and Experiences Measured in Canada? 4](#_Toc24897633)

[3. Spending Reviews: Methodology and Process in Advanced Countries 5](#_Toc24897634)

[How Does the World Bank Conducts Its Public Expenditure Reviews? 5](#_Toc24897635)

[What Are the Lessons Learned from the Italian Experiences in Spending Reviews? 6](#_Toc24897636)

[What Are the Lessons Learned from the Irish Experiences in Spending Reviews? 7](#_Toc24897637)

[4. The Role of Public Sector Financial Reporting and Internal Audit in Performance Budgeting and Potential Cooperation Between BCOP and Other PEMPAL COPs 8](#_Toc24897638)

[5. Roundtable Work of BCOP Working Groups on Knowledge Products 9](#_Toc24897639)

[BLTWG Knowledge Products 9](#_Toc24897640)

[PPBWG Knowledge Products 10](#_Toc24897641)

# **Background**

**This event report provides summary of the presentations and discussions delivered during the 2019 BOP’s Joint Workshop of the PPBWG and BLTWG** held on November 5-6, 2019, in Paris France. This workshop was organized based on earlier proposal for joint work of the two working groups. The workshop took place back-to-back with the meeting of the Organization for Economic Cooperation and Development (OECD) Senior Budget Officials’ Network on Performance and Results to which a small delegation of the PPBWG was invited by the OECD.[[1]](#footnote-1)

**The meeting gathered BCOP representatives of Ministries of Finance (MOFs) from 13 BCOP member countries in the Europe and Central Asia (ECA) region**: Albania, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Kyrgyz Republic, Republic of North Macedonia, Moldova, Russian Federation, Ukraine, and Uzbekistan.

**The objective of the BCOP’s two-day workshop was to examine good practices from advanced countries** and assess potential application to PEMPAL countries on the two sub-topics: i) capturing citizens’ satisfaction, perceptions, and engagement in performance indicators used for budgeting, and ii) understanding the technical methodology and process for spending reviews in advanced countries. In addition, working groups discussed how to advance the development of knowledge products[[2]](#footnote-2) and a presentation was held on the role of internal audit and financial reporting in performance budgeting to consider potential cooperation of BCOP with other PEMPAL COPs.

# **Capturing Citizens’ Satisfaction, Perceptions, and Engagement in Performance Indicators**

On the topic of capturing citizens’ satisfaction, perceptions and engagement in performance indicators, presentations were delivered by **representatives of the World Bank (**Saki Kumagai,), **OECD** (Axel Mathot), **France** (Pierre-Yves Le Corre), and **Canada** (Christine Minas). Group work was also conducted. It facilitated rich discussion on citizen-centric performance indicators and engagement mechanisms that could be used when designing new programs in the sectors of education, health, transport, and environment. The group summary presentations can be found on the PEMPAL website.[[3]](#footnote-3)

# **How Does the World Bank Approach Citizen Engagement in Its Interventions?**

**Saki Kumagai, Governance Specialist, presented the World Bank’s approach to citizen engagement for accountability.** The World Bank defines ‘citizen engagement’ as a two-way interaction between citizens and governments that gives citizens a stake in decision-making. Its objective is to improve the intermediate and final development outcomes of the Bank-financed interventions. Ms. Kumagai identified three key steps for engaging citizens: firstly, to share information; secondly, to collect feedback from citizens (either continuous or solicited, e.g. through a survey); and thirdly, for government to take action and communicate to citizens on the actions taken, how their feedback was used or not used, and why. The feedback loop is closed when these three steps are taken. She advised that the regional and country context matter greatly when designing and implementing the citizen engagement. Most of citizen engagement activities in Bank-financed investment operations on public financial management focus on the transparency aspect, i.e., the first step of the feedback loop to share information. Thus, the Bank’s Governance Global Practice developed a report *Mainstreaming Citizen Engagement in PFM for Better Results*, which provides a menu of citizen engagement entry points in PFM to strengthen governments’ core functions. The suggested principles of citizens engagement for operations it finances include the following: transparency, accessibility, inclusivity, timeliness, multiple engagement channels and tools, sustainability and scale, closing the feedback loop, government ownership, and reciprocity. Ms. Kumagai discussed examples of budget transparency initiatives in Cameroon and participatory budgeting in Mexico to illustrate the outputs and outcomes of citizen engagement.[[4]](#footnote-4)

Ms. Kumagai identified key trends in citizen engagement in PFM: there is a need to move beyond transparency, noting however that transparency is the foundation for effective citizen engagement; effective citizen engagement in the PFM cycle requires budget literacy; and context matters. Two types of engagement—engagement with the general public for their broad feedback and engagement with small, select, specialized groups for their in-depth feedback on specific aspects of the PFM cycle—are complementary to each other and the types of engagement need to be identified and sequenced based on the country context. Citizen satisfaction indicators can potentially measure outputs, outcomes, and impacts of citizen engagement. *Indicators of Citizen-Centric Public Service Delivery*[[5]](#footnote-5) highlights an example approach to measure satisfaction both from government and service users’ perspectives. The report provides suggested categories of survey questions, ranging from responsiveness, service quality, and integrity to capture different dimensions of satisfaction. She concluded noting that the effective PFM is a backbone for citizen centric service delivery. There are also roles that civil society organizations can play in citizen engagement in the PFM cycle and different diagnostic tools are available to facilitate such process.

# **What are Practices and Trends in Capturing Citizens’ Satisfaction and Perceptions in OECD Countries?**

**Axel Mathot, Senior Policy Adviser, Budgeting and Public Expenditure Division of OECD, focused on interaction with citizens with the aim at ensuring the quality and effectiveness of policies and from the Ministry of Finance/Central Budget Agency perspective**. He noted that interaction with citizens is relevant from the perceptive of all main purpose of budgeting: sustainability of public finances, sustaining/improving economic growth and wellbeing, and allocation of resources in line with strategic priority. Different ways to interact with citizens include participatory budgeting[[6]](#footnote-6), using consultations in general or specifically for performance indicators via surveys, and gathering data indirectly through “big data”. In terms of gathering citizens’ feedback through surveys, they are useful for performance indicators used in budgeting and can also provide useful information to a Ministry of Finance on the quality of work of the Line Ministries. Mr. Mathot described the different instruments, including international surveys, existing national surveys, and specific targeted questionnaires. While international surveys are conducive for benchmarking, care should be taken to conduct comparisons with comparable countries only and moreover, they are usually broad rather than focused on specific country, with the small sample without possibility to distinguish among different target groups and between service users and non-users. Existing national surveys are more focused with a larger sample, while specific questionnaires developed specifically for these purposes offer the best option for very focused data collection. The specific surveys are most costly however digitalization offers efficient possibilities, such as short SMS surveys. Gathering citizens’ feedback through surveys for performance indicators is mostly conducted by the line Ministries in OECD countries. Important considerations should be given to capacity building in both Ministries of Finance and line Ministries in survey design, methodology, and analyses, as well as to natural differences between objective and subjective information, given that objective service quality improvements do not necessarily translate into equal improvement in citizens’ satisfaction, thus information from multiple sources should be used for complementarity.

*OECD Serving Citizens Framework[[7]](#footnote-7)* has three pillars: access (affordability, geographic proximity, accessibility of information), responsiveness (citizen centered approach, timeliness, match services to special needs) and quality (effective delivery of services and outcomes, consistency of service delivery and security (safety). To illustrate, country examples from Estonia, France, and Mexico were presented. Mr. Mathot also discussed the global trend towards well-being budgets, which focus more on the Sustainable Development Goals (UN), the Better life Index (OECD), and not just on GDP and debt levels (e.g. Bhutan: Gross National Happiness; UAE: National Program for Happiness and Positivity; New Zealand: Wellbeing budget). Details of the New Zealand well-being budget approach were discussed.

# **How Are Users’ Views Captured in Performance Indicators in France?**

**Pierre-Yves Le Corre, Head of Financial Function and Public Spending Performance Office, Budget Directorate, Ministry of Public Action and Accounts, presented the country case of France**. Comprehensive French reform brought forward with the adoption of the constitutional bylaw (the French Budget Act - LOLF), which came in force in 2006, had in its core the reorientation of budgeting towards strategic steering of public finance, improving transparency, and increasing spending effectiveness through result-orientation. The reform sought to answer the expectations of parliament, French people, and public managers. Three perspectives for orientation towards the French people were distinguished – citizen perspective (understanding how public funds are used), user perspective (ensuring that administration meets public needs), and taxpayer perspective (justifying the use of taxes). Budget is divided into 32 missions and 170 programs and performance indicator targets and data on achievement of those targets is included for all missions and programs. Performance indicators are divided into the above mentioned three perspectives for orientation towards the French people: citizens’ view (i.e. socio-economic effectiveness in areas such as healthcare, safety, equality, and economic development – around 48% of total performance indicators are these indicators), users’ view (i.e. service quality, including satisfaction rate, waiting times for administrative service, accessibility etc. – around 18% of total performance indicators[[8]](#footnote-8)), and taxpayers’ view (i.e. efficiency, including productivity, unit cost, cost management etc. – around 34% of total performance indicators). the Supreme Audit institution verifies the performance data in France. Mr. Le Corre provided examples of performance indicators used in justice and education sectors based on user surveys and in police sector on administrative delays and accessibility based on administrative data.

Despite having experience of over ten years of implementation experience, France is continuously reflecting on the quality of indicators, trying to rationalize the number of indicators, and to make them more outcome-centric and to capture more quality of services from the citizens’/users’ perspective as opposed to focusing mainly on the users’ view from the administrative point of view in terms of delays. As an example of recent improvements to this end, in the justice sector, the work of courts was largely assessed by output measures such as administrative efficiency/ delays, while in 2019, the satisfaction rates are captured through conducting surveys. An important consideration to take into account is that using satisfaction rates introduces a more subjective performance framework. Overall public reaction and the reaction of parliament are very positive, however public sector managers point to the risk of their performance being evaluated by subjective measures that in some cases may not reflect the objective quality of their work (for example, due to citizens not being fully informed or having unrealistic expectations). As the French performance frameworks has matured over the last decade, and in line with overall global and OECD trends, it has become evident that the performance information cannot and should not be used as the sole information on which the budgeting decisions are made, due to these complex and lagged relationships between government actions and final outcomes, thus France defines its system as performance-informed rather than direct performance-based budgeting. At the same time, continued efforts to improve the quality and usefulness of performance data are being invested as described above. Moreover, to this end two additional initiatives have been implemented – Public Action 2022 and New Wealth Indicators. Public Action 2022 includes 5 cross-transformation areas, including transparency, instructing that 100% of state services provided to citizens must include surveys to measure user satisfaction rates, as well as administrative performance indicators. Surveys have already been conducted and published for sectors of social security, employment, police, justice (courts), and prefectures (local government). The New Wealth Indicators initiative introduced ten wealth indicators as part of key national indicators focused on economic development (employment rate, total debt, research efforts); social development (life satisfaction, life in good health expectancy, poverty in quality of living, income inequalities, early leavers in the education system); and sustainable development (carbon footprint and artificialization of land). The challenge is to fully integrate these initiatives within the performance framework and to make linkages with performance assessment of public managers to incentivize managers to achieve results. The performance framework must also be resilient to political changes.

# **How are Citizens’ Satisfaction and Experiences Measured in Canada?**

**Christine Minas, Director of the Results Division, Treasury Board of Canada Secretariat presented on performance metrics used in Canada to capture the feedback from citizens and service users.** Canada has recently invested government-wide efforts into focusing more on the citizens/clients and inclusiveness in provision of government services, combining its service delivery and digitalization policy through Policy and Digital and Accessible Canada Act. An important part of these efforts is better sharing of government data so that the citizens do not have to provide multiple information to different administrative sources, while ensuring data security. In addition, the Canadian Gender Budgeting Act was introduced in 2019 ‘*Gender-Based Analysis*+. Surveys capturing user satisfaction started being conducted over a decade ago in Canada, however due to some survey fatigue, the efforts are now redirected towards more direct contact surveys and consultations, while indirect feedback and data is collected through web analytics and administrative data. In 2017, Employment Insurance service Quality Review was conducted, recommending amore citizen-centric approach, adjustment of service standards using a strong performance measurement framework, identifying and addressing access issues, instilling a strong service culture, revising the funding model, reviewing the policy to identify barriers preventing implementation of improvements to service quality, and simplifying the policy to improve service delivery and find economies. An example of simplification and improvement in service access is increased the take up of child benefits of the vulnerable and remote population groups by conducting over 700 remote visits and subsequently streamlining access. Canadian government has started using auto-enrollment for several services and also uses the approach of merging services (e.g. data requests and benefit assessments are undertaken within the annual tax return process).

It is important to take into account that access and simplicity or complexity of accessing a service is connected to service quality and that the service cost must also be considered from the perspective of value to citizens as opposed to financial costs only. Moreover, performance metrics needs to be informed by a broader frame, taking into account the whole policy-program-delivery continuum, including both design and delivery. It is important to ensure interlinkages among all of these stages and among different institutions. Another key challenge is getting the most adequate high-quality data while simultaneous focusing on a limited number of indicators, as opposed to “drowning” in too many performance indicators that are not useful for decision-making. Canada focuses on innovation for policy improvement to integrate existing knowledge, such as evaluation evidence, to support improvement through continuous learning and adaptation. The focus should be on using performance information for learning and improvement as opposed to numerical values of performance indicators targets and sanction and reward system. Experimentation and behavioral economics approaches are also started to be used for policy evaluation and design.

# **Spending Reviews: Methodology and Process in Advanced Countries**

On the topic of technical methodology and process for spending reviews, presentations were delivered by the **World Bank** (Ivor Beazley)**, Italy** (Aline Pennisi), **Ireland** (John Burke, and Pádraic Reidy,) with **panel responses** provided by **Bulgaria** (Emil Nurgaliev), **Croatia** (Mladenka Karacic) and the **World Bank** (Saki Kumagai).

# **How Does the World Bank Conducts Its Public Expenditure Reviews?**

**Ivor Beazley, Senior Public Sector Specialist, World Bank presented the World Bank experience and advice for conducting Public Expenditure Reviews (PER).** He presented PER objectives; scope and focus areas; process and analytical methods; good practices and limitations; and comparison with spending reviews as per OECD definition[[9]](#footnote-9). PER is a core diagnostic tool to evaluate public finance and inform future budget spending decisions. It is a flexible tool responding to government needs and priorities and it analyzes expenditure over a period of time to assess consistency with policy priorities and the results achieved. PERs typically begin by focusing on higher level issues of the government overall fiscal position; the aggregate level and structure of public expenditures and revenues, and fiscal balances; and consistency of fiscal policy with the country’s macroeconomic framework and fiscal sustainability. They next usually focus on spending key sectors. In contrast, spending reviews as per OECD definition typically focus mainly on how to improve economy and efficiency of spending at sector level and where to make short-term savings. Unlike typical OECD spending reviews, PERS also often look at the institutional architecture, including regulatory frameworks and systems for management of revenues and expenditure, and their effect on achieving key fiscal policy objectives. Moreover, while both typical spending reviews and PERs focus strongly on efficiency and effectiveness of spending, typical spending reviews have a strong focus on economy (i.e. how to minimize costs), while PERs focus on equitable access to services, poverty reduction and impact on economic growth.

Mr. Beazley gave an overview of PER delivered across regions, noting that PERs in ECA region have had a predominantly fiscal focus, but also covered spending in a number of sectors that are of special interest to governments. PER process and methodology are the product of a of a dialogue on macro-economic and sectoral issues between the World Bank and national authorities, and PERs are typically conducted over a longer period compared to typical spending reviews, which are usually under the time pressure to fit into the budget cycle. PER recommendations tend to be more policy oriented and it is up to the Ministries of Finance and line ministries to decide on implementation. Examples of PERs in Belarus, Tajikistan, Armenia, Moldova, and Serbia were given, noting that PER recommendations mostly relate to changes in policy, operations, and strategic shifts in resource allocation, rather than quantified savings or changes in allocations; thus, being a primarily advisory rather than an operational tool. In terms of analytical methods, PERs use a range of economic tools, ranging from simple unit cost analysis to regression analysis combining budget and operational data, to more complex econometric techniques such as Computable General equilibrium and Data Envelope Analyses, and innovative approaches such as Geographical Information System and BOOST framework (used in 14 countries now). They can bring together budget and performance data (e.g. education outcomes, poverty data, or business survey data) in regression analyses to assess the policy impact. Other trends in PERs include coverage of both national and subnational level, focus on variability of spending and performance across local governments. Limited availability of good survey data is a typical limitation to PERs, in addition to previously mentioned limitations related to timeliness in relation to budget cycle, political economy challenges, and dependence of recommendation implementation on the government.

# **What Are the Lessons Learned from the Italian Experiences in Spending Reviews?**

**Aline Pennisi, presented the experience of the Ministry of Economy and Finance (MEF) of Italy, in spending review.** Italy is a country that experimented with different types, objectives, and processes of spending reviews over the last decade. This reflects the fact that spending reviews are very adaptable, thus making it difficult to have only one definition of a spending review, as it can use different tools, such as efficiency analysis, evaluation of public policies, systematic reviews of expenditure or individual programs, revision of the perimeter of public intervention, etc. Moreover, the objective of the spending review can change over time and do not necessarily have to include spending cuts. Three key context factors shape up spending reviews: economic context (depending on economic situation, spending reviews can have different objectives, such as expenditure prioritization, fiscal consolidation space, improvement in service quality etc.), institutional context (institutional structure determines the roles and relationship in spending reviews, and electoral cycle. A recent global trend is increase of interest od parliaments in spending reviews. Ms. Pennisi discussed options under six dimensions to take into account: perimeter of the analysis (scope of expenditure to be reviewed and strategic versus efficiency focus), time scope and frequency, ex-ante target of savings or expenditure ceiling, responsibilities of institutional actors, participation of external experts, and the use of public consultations. Italy has combined different options of these dimensions in various spending reviews conducted over the years and encounter several challenges. The most recent reforms refocused the spending review to integrate it fully with the budget cycle and install a legislative basis for implementing spending review recommendations (as Italy is a legislation-centric country with frequent government changes).

The first round of spending reviews in Italy was established in 2007, with the Ministry of Finance and Economy being mandated to carry out a review of central government spending programs in five ministries, in cooperation with a special technical commission comprised of external experts. The focus was on productivity/organizational approach. Next, in the 2010-2013 round of spending reviews, they were made permanent and were conducted in collaboration between the Ministry of Finance and line ministries, focusing on specific sectoral analyses and proposals of indicators to monitor policy impacts. Although a significant body of evidence was produced, the spending review teams had a weak political mandate, which hampered the usage of recommendations. As the government changed and the economic global crisis affected Italy in this period, the focus of spending reviews next shifted toward fiscal consolidation. In the third round of spending reviews in 2011-2017, a high commissioner role was established for leading spending reviews and to report to the Council of Ministers with the authority to access all of line ministries’ data. The three spending reviews were conducted in this period under three commissioners, with the first one focusing on goods and services, the second focusing more on policy review and sectoral strategic recommendations and on the design of public procurement system reform, and the third one focusing on implementing the public procurement reform and reorganizing the police. Spending reviews contributed to cut in primary current expenditure and government consumption, however there were also challenges, most importantly the frequent government changes due to which many spending review recommendations ended up not being implemented. Furthermore, due to needs for strong fiscal consolidation in this period, in addition to cuts identified by the spending reviews, additional linear across the board cuts of spending of all ministries had to be implemented, which resulted in some hidden debt. Finally, the focus was on new spending, while the baseline expenditures were not given enough attention, as these two parts of the budget were separately planned and adopted in this period. This led to the view that SRs where better placed as structurally embedded within a budget cycle. In current practices, the focus is on top-down approach, looking at all expenditure and budget being organized in missions and programs. Detailed process, timeline, and roles were presented. After an overall fiscal target is established, line ministries are assigned a three-year target to be proposed in a spending review, which can either be based on expenditure ceilings or on saving cuts. The line ministries essentially propose these under a spending review process and the achievement of the targets is monitored during the year under specific “agreements” between the Ministry of Finance and each line ministry, from both a financial and results-based approach, and published. In practice, since the 2018-2020 budget cycle, 2% annual saving targets have been assigned to each line ministry, excluding some expenditure, such as the compulsory personnel costs (small part of benefits are included), interest, transfers to other sector of the public administration, reserve fund. Government has set some political priorities to be excluded from the savings targets, such as infrastructure spending and migration-related spending. As a result of the 2018 spending reviews, 162 measures were proposed, cutting 12% of spending that was subject to reviews were achieved. Main challenges remain getting the data from the line ministries and ensuring the political support, as well as administrative pressures to repeal saving measures. In Italy, data collected at the central level from the 8 thousand municipalities within the equalization transfer system, offer a platform for municipalities wanting to conduct their own spending reviews. The platform [www.opencivitas.it](https://nam03.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.opencivitas.it&data=02%7C01%7Cishcherbyna%40worldbank.org%7C9ae0a6a51b0d4a185a5208d775af537f%7C31a2fec0266b4c67b56e2796d8f59c36%7C0%7C0%7C637107268217498216&sdata=3oLMft5egC04sgn0HUKDY4ijgophTPucros6iShxHio%3D&reserved=0) allows comparison between the actual expenditure and the standard expenditure needs for each local administration, performance of services, indicators which are relevant to understand managerial and organizational choices.

# **What Are the Lessons Learned from the Irish Experiences in Spending Reviews?**

**The Ireland experience in spending reviews was presented by John Burke, Head of Unit, and Pádraic Reidy, Assistant Principal Officer, from the Department of Public Expenditure and Reform**. Irish spending reviews have moved over time from more traditional spending reviews per OECD definition focusing on spending cuts to more of a policy-focused spending reviews, closer to the World Bank PERs analyses. Ireland embarked on spending reviews in the aftermath of strong economic crisis and the need for significant and fact spending cuts. This aligned with the EU-wide focus on spending revises following the global financial crisis. Ireland has conducted four rounds of spending reviews (2009, 2012-2014, 2015-2017, and 2017-2019) with the first two driven by the necessity for expenditure cuts and the last two driven by promoting spending effectiveness and efficiency in the context of public expenditure increases. Spending reviews contributed to significant expenditure cuts in Ireland, from expenditure reaching almost 60% of GNI in 2010-2012 to drop to close to 40% of GNI since 2015. Ireland uses the approach of comprehensive spending reviews, aiming to cover 100% of expenditure to be reviewed in the three-year period. Spending reviews are led centrally within the Department of Public Expenditure and Reform (DPER i.e. Irish Central Budget Authority), managed by a senior level steering group (and subgroups when needed) in the DPER and supported by a dedicated Spending Review Secretariat. Process is aligned with the budget calendar so that all spending review papers are published in July (around 80 papers published in the 2017-2019 spending review cycle, all published online). Papers are published as staff papers rather than official ministerial papers, which provides challenges in terms of likelihood of implementation, however the advantage is that broad topics, including those that are politically sensitive, are analyzed. The main objective of the current spending review cycle is learning - to create a large stock of analyses and evidence across the ministries as a base for potential reform efforts across ministries and the wider public service and to spotlight areas of innovation and good practice, both in program design and service delivery, that will be of wider interest and applicability.

Detailed process, timeline, and roles in the current spending review cycle were presented. The process starts with the DPER Secretariat holding briefings in December with the evaluators and budget analysts on the process and objectives and to generate the debate on selection of topics. In the end of the process, once spending review papers are drafted, they are submitted for clearance to the DPER. All papers are produced internally without external consultants and can be produced by the line ministries, by DPER, or jointly. The key success factor has been the establishment of the Irish Economic and Evaluation Service (IGEES) In 2012, which is ran from the DPER, but all line ministries have IGEES units provide economic services, including producing and reviewing business cases, undertaking policy analysis, spending review papers, and other evaluations. IGEES economists and analysts have significant involvement in the spending review process including in topic selection, producing reports and presenting analysis internally and externally. The key role in spending reviews is by the sectoral sections in DPER (i.e. budget analysts in charge of specific sectors) and IGEES. Outline of the spending review papers and methodologies was also presented, noting that the methodology draws from the value-for-money framework which was used pre-2009 in Ireland. Challenges include ensuring the implementation, as the economic context and design without explicit saving target requirements limited the implementation focus. In addition, data infrastructure needs to be strengthened now that a large body of evidence exists. Other key success factors from the Irish experience includes the political engagement/backing, early and continued engagement/communication with all stakeholders, and ex-post review of spending reviews as a support to ongoing reform of the process. The role of line ministries is crucial and in Ireland in the first year of current spending review cycle only 2 out of 20 papers were produced by the line ministries, while now it is 10 out of 30 papers. The speakers also presented an example of spending reviews in justice sector.

# **Presentation on the Role of Public Sector Financial Reporting and Internal Audit in Performance Budgeting and Potential Cooperation Between BCOP and Other PEMPAL COPs**

**Arman Vatyan, Lead Financial Management Specialist and the PEMPAL Team Leader, World Bank, provided an overview of the linkages between performance budgeting and internal audit functions and on integrating performance budgeting into financial reporting.** The introduction of performance budgeting requires strong systems of accountability and governance, which are key criteria for effective internal audit, and internal audit can significantly contribute to the performance budgeting efforts. In the two different types of budgetary control, the anglophone and the old francophone model, level of accountability for results differs. In the old francophone model, used in most of the ECA region, there is less flexibility for line ministers to make decisions about budget allocation to the lower organizational units in their sector (budget holders/departments). Internal audit functioned between in anglophone system, due to clearer incentives of line ministries and focus on results, as opposed to focus on budget compliance in the old francophone model. In addition, budget structure varies significantly among different countries, e.g. there are around 500 budget holders in the UK and around 80,000 in Russia). In this overall context, in most PEMPAL countries, internal audit function (which focuses on system level) evolved from the traditional budget inspection function (which focuses on transaction level). In addition, EU member and candidate states had to implement the Public Internal Financial Control function (PIFC), with an internal control focus. Performance budgeting is one of the key reform drivers for internal audit, as it focuses on system-level improvements, organizational performance, and spending effectiveness and accountability. Internal audit can significantly contribute to the performance budgeting efforts by providing an insurance and advisory function through checking the quality of the design of performance indicators, verifying the performance data accuracy, conducting performance audits, and assisting in spending reviews and evaluations.

A major challenge related to program and performance budgeting is related to data integration in financial reporting, with line ministries usually running a separate reporting system for program and performance budgeting. Another World Bank-administered network, Public Sector Accounting and Reporting (PULSAR) Program, recently published A Good Practice Outline of the Multipurpose Chart of Accounts (MCoA). The paper provides one solution to integrating charts of accounts used for various reporting purposes – IPSAS-based financial statements, GFS based financial statements, budgetary reporting, performance reporting, and management reporting. Such MCoA can extract all costs associated with a specific sector, program, or performance indicator, which could also be useful for supporting spending reviews and evaluations. IPSAS also issues recommended practice guidelines which provides guidance on reporting service performance information under good practice financial reports, which could also assist PEMPAL countries.

# **Roundtable Work of BCOP Working Groups on Knowledge Products**

# **BLTWG Knowledge Products**

**Participants worked on advancing the BLTWG knowledge product on *Public Participation in Fiscal Policy and the Budget Process–Establishing and/or Strengthening Mechanisms in PEMPAL Countries***, which was circulated prior to event in its first draft.Ms. Deanna Aubrey from the BCOP Resource Team presented the main recommendations from the draft report and noted that the first draft was completed including latest assessments by GIFT, IBP and others and she thanked the member countries for their work and inputs to this report, particularly the six countries who comprehensively documented their public participation reforms through the survey conducted within the work on this knowledge product. A suggested road map for PEMPAL countries for implementing public participation approaches has been included in the knowledge product, drawn from international and regional advice. It includes the options for member countries to:

* document and compare their public participation mechanisms with those identified by IBP and GIFT as good practice;
* establish/strengthen the legal framework to support systematic and transparent participation of citizens (as several PEMPAL countries have already done);
* develop/strengthen the budget communication strategy, including clearly documenting the budget calendar, and key stages where citizens/CSOs can get involved (e.g. formulation, approval, execution and audit);
* ensure all eight key budget documents are publicly available on the website or portal and are in readable format that can be reused;
* determine objectives and desired impact of any consultation (using the IAP2 spectrum ranging from ‘Inform’ to ‘Empower’) and if requesting feedback, ensure the feedback loop is closed and provide timely responses on how citizen feedback was used;
* maximize use of ICT tools to gain feedback from a wider range of citizens (with additional efforts made to target vulnerable and marginalized groups);
* use citizens’ budget as a consultation mechanism (e.g. engage schools/universities in competitions for best design; hold public meetings with budget related CSOs/journalists on its content/scope);
* if capacity of the CSO and/or the media sector is still developing, offer training on how to analyze and report on budget information (in partnership with universities, training institutes, or any CSOs with capacity);
* consider initiatives (using Russian experience a as a guide) to increase budget; and
* consider using public participation mechanisms outside the budget process (e.g. tax reviews as used by New Zealand and Belarus).

**Next steps on finalizing this knowledge product were discussed, as well as future work of the BLTWG.** Each participating BCOP country provided remarks on their recent developments in BLTWG thematic areas and provided some feedback on the draft BLWTG knowledge product. Member countries noted that this knowledge product is comprehensive and will be very useful for BCOP countries. As in several countries additional new initiatives have been designed and implemented recently, in the time since the survey conducted for this knowledge products, it was agreed that the countries would provide additional comments and updated country information for this knowledge products until end-December 2019. The BCOP countries noted that the knowledge product is a useful technical reference to support their future and ongoing reforms and several countries agreed to share their approaches (e.g. Uzbekistan to share approach used by Ministry of Finance training center with Moldova who is currently establishing such a center; Croatia to share approach to including public participation in the new budget code and the template for budget circular 2020-22 which includes guidance to line ministries on public participation; and Russia to share its experiences on using participatory budgeting mechanisms). Other potential future work of the BLTWG on public participation was also discussed, given that the PEMPAL region only scored 12/100 in the public participation component of the IBP’s 2017 Open Budget Survey (equal to the global average). For example, country level action plans could be developed based on improving results from IBP 2017/planned 2019 public participation results, in partnership with GIFT.

### **PPBWG Knowledge Products**

**Participants worked on advancing the PPBWG knowledge product on *Performance Budgeting and Spending Reviews in PEMPAL Countries: Current Practices, Challenges, and Recommendations*,** which was circulated prior to event in its current draft(which already incorporated comments of the PPBWG leadership on the first draft).Ms. Naida Čaršimamović Vukotić from the BCOP Resource Team presented the summary of eighteen detailed recommendations and food for thought for PEMPAL countries in what to take into considerations in their performance budgeting and spending review systems. These are organized around the seven areas of good practices in performance budgeting recommended by the OECD and based on based on the results of BCOP countries in the 2018 OECD Performance Budgeting Survey and internal BCOP 2019 survey on spending reviews, as well as the overall work and discussions held within PPBWG over the recent years, and include:

1. a strong legislative basis for program and performance budgeting (PPB) with wide performance frameworks and guidelines, ensuring clear and adequate objectives and uses;
2. PPB reforms not being championed only by the MF and the civil service, but rather by political leadership more widely, including preferably across government branches;
3. clear and strong connection with strategic planning;
4. PIs determined based on their usability in decision-making and directly connected to national and sectoral strategic planning documents and programs of individual ministries and agencies;
5. additional attention to cross-institutional, government-wide objectives needed, including careful consideration in designing and monitoring cross-cutting PIs;
6. balance between ensuring standardization and coverage of all expenditure by PPB and ensuring flexibility (PIs defined for all programs, however, can vary in type and usage);
7. programs and PIs designed around expected outcomes, but recommended to indicate the ways in which programs are connected to institutions/departments for accountability purposes;
8. PIs should be small in number for each program, clear, allowing of tracking against targets and international benchmarks where possible, and linked with government-wide strategic objectives; while PIs measuring outputs at very low operational level should be avoided (although can be used for internal management purposes) and very high long-term outcome PIs should be used, but with additional lower-level outcome PIs also being developed;
9. strong and continuous technical capacity building in MFs and in the line ministries/agencies;
10. strengthened ICI with: i) standardization and flexibility, ii) narrative explanations, and iii) integration with ICT for planning by other classifications, treasury, and strategic planning;
11. establishing new data collection mechanisms to gather adequate performance date – including administrative data and external data collection mechanisms;
12. integrating PIs into main budget document; alternatively, in supplementary information; performance outturn should be included in execution reports;
13. considering capacity building of parliament members and building of technical expertise in administrative support departments in parliaments;
14. SAIs to have a role in PPB, at minimum to review and validate performance, while more substantial roles should be considered, including performance audits;
15. reusable performance data open to public online; citizens’ budgets to include performance information; PPB capacity building of CSOs and media;
16. tools such as spending reviews and performance and impact evaluations complement PPB, but require careful design and technical expertise;
17. broad political support behind these tools important to ensure the proper involvement of line ministries/agencies (initial incentives could allow line ministries/agencies to use savings); and
18. more attention should be given to learning aspects of PPB and responses to under-performance should emphasize learning, rather than rewards and penalties.

**Next steps on finalizing this knowledge product were discussed, as well as future work of the PPBWG.** Each participating BCOP country provided feedback on the draft PPBWG knowledge product and remarks on their recent developments in PPBWG thematic areas where applicable. Member countries noted that this knowledge product is comprehensive and practical and will be very useful for BCOP countries. Members and Resource Team provided specific suggestions for further expansions of the document, including: adding textboxes with most recent developments in performance budgeting and/or spending review reforms in a few PEMPAL countries (including Russia, Bulgaria, and Ukraine, and possibly others) and adding relevant information and examples from in this joint workshop (including on PIs and spending reviews, as well as on potential role of internal audit in performance verification and in spending reviews). It was also agreed that legislation and methodological documents related to PPB as well as spending review reports for countries that have completed reviews will be collected from BCOP countries and circulated around among PPBWG members. For three countries that are starting with the stronger PPB reforms in the next period and/or have experience staff/BCOP member turnover (Uzbekistan, Kosovo, and Kyrgyz Republic) it was agreed that the detailed information an all knowledge materials on PPB accumulated by the PPBWG so far will be shared for easier reference. The countries were invited provide additional comments for this knowledge products until end-December 2019. Members also provided different suggestions for content and approach for the next knowledge product on spending reviews, including: i) to collect and summarize specific examples of analyses and recommendations from spending review reports in advanced and PEMAL countries by sector/type of expenditure (e.g. social welfare, wage bill, operational expenses etc.); ii) to map out specific recommended step-by-step approach to conducting spending reviews with examples from advanced countries; iii) to provide examples and recommendation on how to use performance information in spending reviews and integrate PPB systems with spending reviews; iv) to identify specific challenges in spending reviews for PEMPAL countries and offering options and recommendation for overcoming those challenges, or v) to focus in detail on organizational matters around spending reviews, i.e. roles and functions of the Ministry of Finance and line ministries, delineation of responsibilities, and how to motivate and incentivize the line ministries. Several member countries offered to provide information on their updated experiences and plans with the spending reviews – Russia, Bulgaria, Ukraine, Croatia, and Moldova. It was decided that the PPBWG would focus on expanding the current knowledge product and collecting the spending review legislation, methodological documents, and reports from PPBWG countries, after which the content of the spending review knowledge product is to be agreed during the March 2020 BCOP plenary meeting.

1. The OECD meeting’s objective was to improve the effectiveness and efficiency of resource allocation and management in the public sector by assisting countries to design and implement performance- and results-based budgeting and management reforms. This meeting provided an opportunity to share and benchmark progress and to learn the latest trends. BCOP members from three countries (Russian Federation, Ukraine, and Bulgaria) attended. Meeting agenda and materials are available at <http://www.oecd.org/gov/budgeting/performance-results-meeting-2019.htm>. [↑](#footnote-ref-1)
2. Agenda and all presentations are available at <https://www.pempal.org/events/joint-workshop-program-and-performance-budgeting-working-group-ppbwg-and-budget-literacy-and>. [↑](#footnote-ref-2)
3. Available at <https://www.pempal.org/events/joint-workshop-program-and-performance-budgeting-working-group-ppbwg-and-budget-literacy-and>. [↑](#footnote-ref-3)
4. In Cameroon, initiatives saw an increase in budget transparency (through a citizens’ budget approach) and the outcomes led to increased tax revenues for the local councils, changes in the willingness of parents to contribute to school financing, and increased trust in local government. In Mexico the municipal government was tasked to manage a mining fund and development project to improve affected communities. They used participatory budgeting approaches with 13 winning proposals worth USD 2.2 million awarded to citizens to implement. [↑](#footnote-ref-4)
5. Refer “World Bank Group. 2018. Indicators of Citizen-Centric Public Service Delivery. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/30030 License: CC BY 3.0 IGO.” [↑](#footnote-ref-5)
6. In terms of participatory budgeting, Mr. Mathot noted that it is significantly more challenging at the national level compared to the local level, given the typical responsibilities of the national level government that are less focused on direct service delivery to citizens, as well as the issues with representativeness, and issue of relevance for entire population relative to small funds usually set aside for participatory budgeting. The examples of participatory budgeting at national level include Canada and Korea in which specific inputs is asked from citizens/CSOs and Portugal in which a small fund is set aside for citizens to decide on how it should be used. [↑](#footnote-ref-6)
7. Available in *OECD Government at a Glance* (2015) report at <https://www.oecd-ilibrary.org/docserver/gov_glance-2015-en.pdf?expires=1573822876&id=id&accname=guest&checksum=C5E338AAEC3036162AD02F2628052AA6>. [↑](#footnote-ref-7)
8. For the ‘users view’, in 2019 around 46% of measures covered outputs and outcomes; 32% admin delays, and 22% public service satisfaction /quality of service. [↑](#footnote-ref-8)
9. OECD definition: “*A spending review as the process of identifying scope to make savings, either to reduce overall government expenditure or to identify fiscal space, enabling resources to be reallocated in line with the government’s policy priorities. Spending reviews differ from other types of evaluation by looking not only at program effectiveness and efficiency under current funding levels, but also examining the consequences for outputs and outcomes of alternative funding levels. Spending reviews will typically review baseline expenditures and may also include specific targets for spending reductions. Spending reviews may be broad based, covering all government expenditures, or limited to certain ministries or program.”* [↑](#footnote-ref-9)