

PROGRAM AND PERFORMANCE BUDGETING REFORMS:

Trends and Linkages with Managerial Accountability

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Presentation Overview



- 1. Key concepts of program and performance budgeting (PPB)**
- 2. PBB benefits**
- 3. Modern good practices**
- 4. PPB in PEMPAL countries**

Links with managerial accountability indicated throughout the presentation

PPB CONCEPTS



PPB Definition



- PPB is systematic use of performance information to inform budget decisions and to install greater transparency and accountability throughout the budget process, by providing information to legislators and the public on the purposes of spending and the results achieved (OECD def).
- Wide implementation started the 1990s, with a rapid increase in the last decade.
- In its essence, PPB applies concepts from private sector management to the public sector – considering the spending benefits for the end users of public services.
- An integral element of PBB is assigning managerial accountability for results, for which managers also have to be given more autonomy and authority by easing input controls (i.e., expenditure controls at a detailed disaggregated economic classification level) and increasing flexibility during budget execution (*"letting the managers manage"*)

Programs and Indicators in PPB



- Splitting budget into budget programs is the basis for PPB, however, **each budget program's goal and performance indicators are the heart of PPB.**
- A **budget program** is a grouping of government activities in relation to a specific set of policy objectives (guiding principle for defining programs should be mid-level outcome). It can consist of one policy measure to address a distinct issue, or several initiatives which address multiple policies simultaneously. **Budget program's structure shall be correctly reflected in the budget program classification.**
- **Performance indicators** are measures for tracking progress in achieving expected results of programs; they are categorized according to the level of expected result that they measure: **output indicators** (which measure goods and services delivered) and **outcome indicators** (which measure what is achieved for the final users).
- In most cases, there is a clear link **between functional, institutional and program classification**: budget of each institution (line ministry/agency) is divided into programs. however, in some cases, budget programs can be aimed at the achievement of cross-cutting objectives. As a good practice, those objectives shall be identified in country level strategic documents, like government programs and sectorial strategic plans.

Five Questions in Focus of PPB



1. What are we trying to achieve? *Institutional goal*

E.g., for a Ministry of Labor and Social Affairs: *Provide protection and improve the status of socially vulnerable categories through employment and social welfare policies*

2. How are we trying to achieve it? *Program (and if applicable subprograms/activities/projects)*

E.g., *Program Protection of persons with disabilities*

3. How much does it cost? *Budget allocated for the program*

4. How do we know whether we are successful? *Performance indicators*

E.g., Outcome indicators:

- *Average value of payments per user relative to the minimum cost of living or average salary*
 - *Coverage of vulnerable categories that received payments*

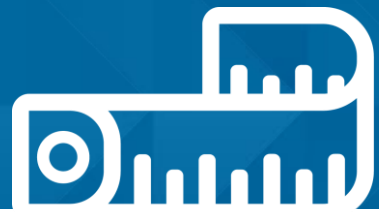
Output indicators:

- *Number of end users who received payments*
- *Number of administered requests by type*
- *Number of payments to end users that were paid with delays*

5. Who is responsible? *Program manager*

E.g., *Division/Department Head*

PPB BENEFITS



PPB Rationale



- From focus on input costs (wages, goods and services, transfers) in traditional budgeting to **greater focus on expected spending results** in PPB
- From focus on planning based on annual expenditure trends to **greater focus on midterm policies and results**
- From insufficiently linked strategic and budget planning to **targeted linkages between strategic and budget planning**
- From limited transparency and "understandability" of budget to **clearer and more "accessible" budget**
- From focus on financial compliance to **greater focus on accountability for results**

PROMOTING CULTURE OF PERFORMANCE IN PUBLIC SECTOR

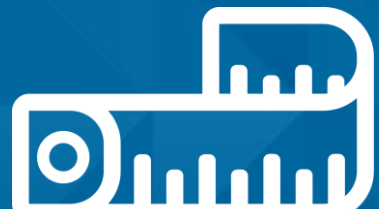
PPB Benefits



- Budget users (line ministries and agencies) are provided with a **better management tool** by linkages between strategic and budget planning
- Government is provided with a more direct **tool for policy prioritization**, i.e., for putting Government priorities in action
- Parliament is provided with **a better oversight tool** with data on program level and contextual information on performance
- Citizens are provided with **a transparency tool** with increasing clarity and context
- Auditors are provided with **a better tool for conducting performance audits**

PROMOTING CULTURE OF PERFORMANCE IN PUBLIC SECTOR

MODERN GOOD PRACTICES IN PPB



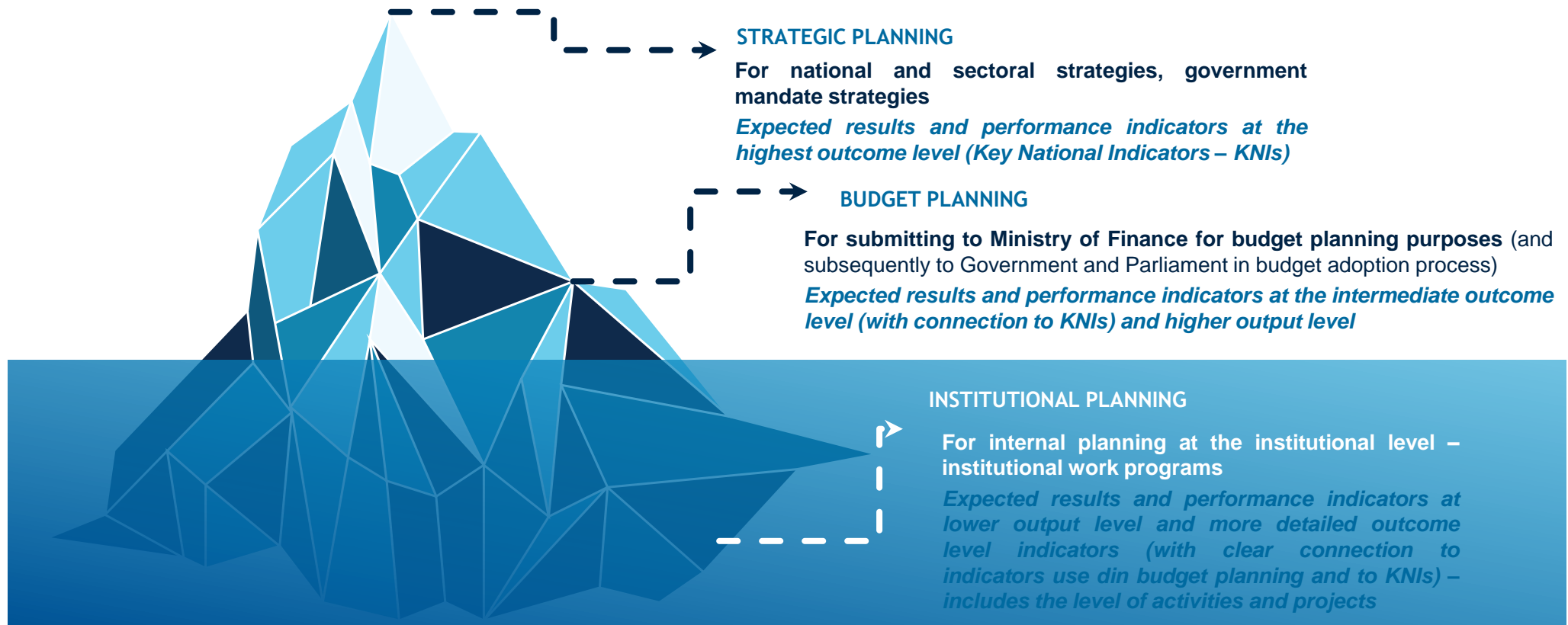
OECD's Good Practices in PPB (2019)



1. The **rationale and objectives of PBB** are clearly documented and reflect the interests of key stakeholders. *PPB is championed by political leaders, with support from senior officials.*
2. **PPB aligns expenditure with the strategic goals** and priorities of the government.
3. The PPB system incorporates **flexibility to handle the varied nature of government activities** and the complex relationships between spending and outcomes. *Government uses a mix of performance measures, reflecting the multi-dimensional nature of performance in the public sector. Program structures are aligned with the administrative responsibilities and service delivery functions of ministries and agencies. Expenditure classification and control frameworks are revised to facilitate programme management and promote accountability for results.*
4. Government **invests in human resources, data and other infrastructure** needed to support PBB. *Performance measurement systems are progressively improved to provide quality data on a reliable basis.*
5. PPB facilitates **systematic oversight by the legislature and civil society**, reinforcing the government's performance orientation and accountability. *This also includes performance audits by SAI with tests of the accuracy and reliability of reported performance, which is to inform Parliament's oversight.*
6. **PPB complements other tools designed to improve performance orientation**, including programme evaluation and spending reviews. *Performance audits by internal audit could also play a role here.*
7. **Incentives** around the PPB system **encourage performance-oriented behaviour and learning**. *Responses to under-performance emphasise learning and problem solving, rather than individual financial rewards and penalties.*

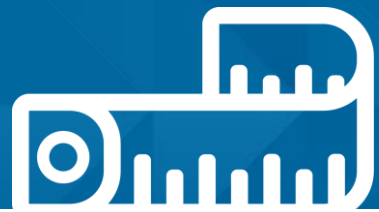
Pyramid Approach In Linking Strategic and Budget Planning

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There is a clear vertical hierarchy, while ensuring that the program structure and performance indicators used in budget planning is limited to the level that is useful for budget allocation decisions. Not using overly fragmented program structure with too many multiple layers (e.g. programs, subprograms, activities, projects etc.) for budget planning also gives more flexibility to program managers in budget execution.

TRENDS AND CHALLENGES IN PEMPAL COUNTRIES AND BCOP'S WORK ON PPB



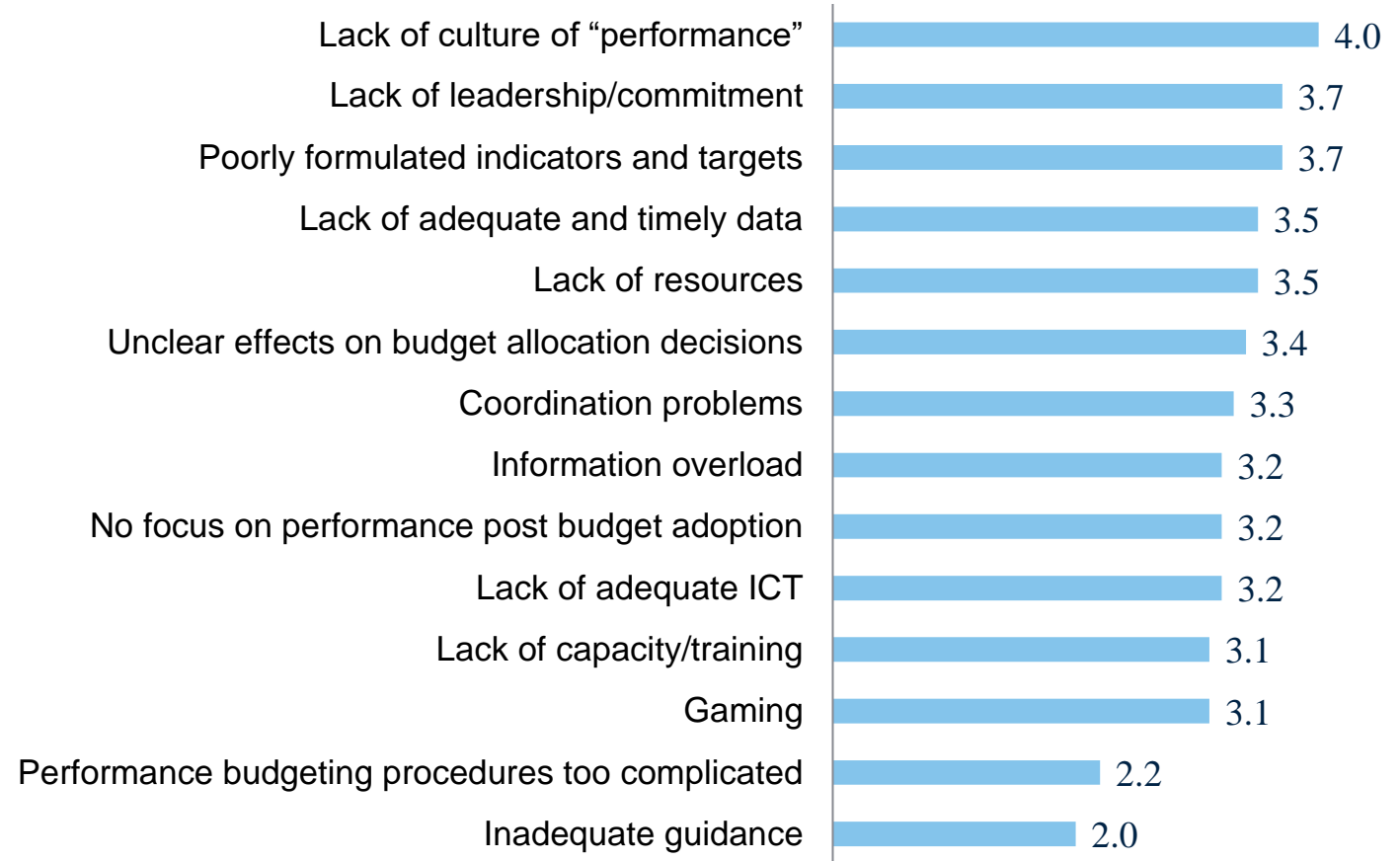
PPB status and trends in PEMPAL countries compared to OECD countries



- **Most PEMPAL countries implement some form of PPB**; in most cases with a uniform coverage of frameworks applicable to all ministries and agencies (progress from previous "pilot" or partial coverage)
- **Relatively strong legal basis for PPB now in most PEMPAL countries**, mostly in organic budget law
- **Most frequently PEMPAL countries still describe their practices as a presentational approach**, compared to more advanced performance-informed approach in OECD countries; however, in many countries there is progress
- **PPB is still largely MoF-centric in most PEMPAL countries**, role of line ministries increasing but still weaker than in OECD countries; role of Legislature and Supreme Audit still very limited; more frequent role of Chief Executive and/or Ministry of Planning/Development in targeting performance indicators compared to OECD countries
- **Trend in decreasing volume of performance indicators** (while increasing quality) **and improving the scope of programs**
- **Cross-cutting indicators used much less** than in OECD countries
- **Use of performance information continues to increase** in many PEMPAL countries, including by program managers, ministers/senior civil servants, and civil society/media; **use in budget negotiations is increasing** somewhat
- **Transparency of program objectives is the most improved aspect of budgetary management** resulting from PPB
- Some PEMPAL countries report quantifiable contribution of PPB to improved quality of public finances, but **almost all cite unquantifiable benefits**
- **Management responses to poor performance** (such as more intense monitoring of organizations or programs, replacement of program managers, negative staff performance assessment etc.) more likely than budgetary consequences
- **Most PEMPAL countries are undertaking or planning to undertake budget planning measures/reforms that are related to PPB**

PPB challenges in PEMPAL countries

PPB challenges overall perceived as greater in PEMPAL countries compared to OECD countries



N/A = 0 Low = 1 Low-medium = 2 Medium = 3 Medium-high = 4 High = 5

BCOP's Program and Performance Budgeting Working Group (PPBWG)



- PPB has been consistently chosen as **one of the top priority topics by the BCOP member countries**
- PPBWG is **operating since FY16 and comprises of 17 member countries**: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kosovo, Kyrgyz Republic, Moldova, North Macedonia, Russian Federation, Serbia, Turkey, Ukraine, and Uzbekistan. **PPBWG leadership**: Nikolay Begchin (Lead) and Ivan Rakovskiy from the MoF of The Russian Federation and Emil Nurgaliev from the MoF of Bulgaria.
- The Group **focuses on design and implementation of program and performance budgeting and spending reviews with the aim of improving spending effectiveness**. It cooperates closely with the OECD Budgeting and Public Expenditure Division and OECD delegates from the MoFs of OECD countries, as well as with the WB.
- PPBWG develops **knowledge products**, including:
 - **Performance Budgeting and Spending Reviews in PEMPAL Countries: Practices, Challenges, and Recommendations** (here results of PPB survey of PEMPAL countries are given and the seven areas of OECD good practices are further developed to provide specific recommendations for PEMPAL countries)
 - **Performance Indicators in PEMPAL Countries: Trends and Challenges**
 - **Conducting Rapid Spending Reviews to Identify Measures for Budget Balancing**
 - Currently, the KP on *step-by-step analysis of a specific spending review in the Netherlands* is being developed, as well as the KP on *trends in spending reviews in PEMPAL countries benchmarked to trends in OECD countries*.

budget

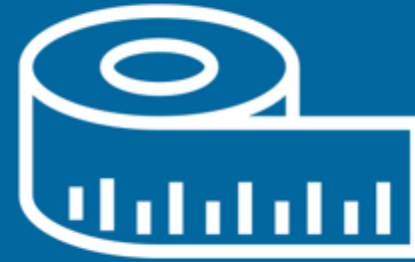


openness

BCOP



spending



quality



THANK YOU!