

Results of OECD 2012 Performance Budgeting Survey

Knut Klepsvik

Senior Policy Analyst, Budgeting and Public Expenditure
Public Governance and Territorial Development

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Brief overview of the survey

- 2012 constitutes third wave of survey (also 2003 and 2007)
- Three sub-surveys in the pipeline
 - the Performance Budgeting Survey (spring 2012)
 - the Budget Practices and Procedures Survey (winter 2012-13)
 - the Accountability and Control Survey (planned spring 2013)
- Survey coverage
 - OECD member countries
 - Cooperation with regional actors (Cabri/Africa, IDB/Latin America, PEMPAL/ EECA)
- Survey process
 - Questionnaire first piloted before rolling out to entire sample
 - Quality control of country responses
 - Results presented for comments and validation at Senior Budget Officials network meetings
- Performance Budgeting Survey - Received responses from 31 member countries and the Russian Federation – the following presentation...



Conceptual framework: defining performance budgeting

Performance budgeting is the use of performance information to link funding with results (outputs, other) with the purpose of increasing efficiency, effectiveness, transparency and accountability.

The OECD has identified three types of performance budgeting:

- 1. Presentational performance budgeting:** The publishing of performance information in budget and other government documents. Serves to disseminate information for greater transparency and accountability of government operations, but not intended to play an explicit role in decision making.
- 2. Performance-informed budgeting:** Either proposed future or past performance to inform the allocation of resources. Performance information is used along with other information in the decision-making process.
- 3. Formula performance budgeting:** The allocation of resources based solely on past performance. Used only in specific sectors, such as education and health.

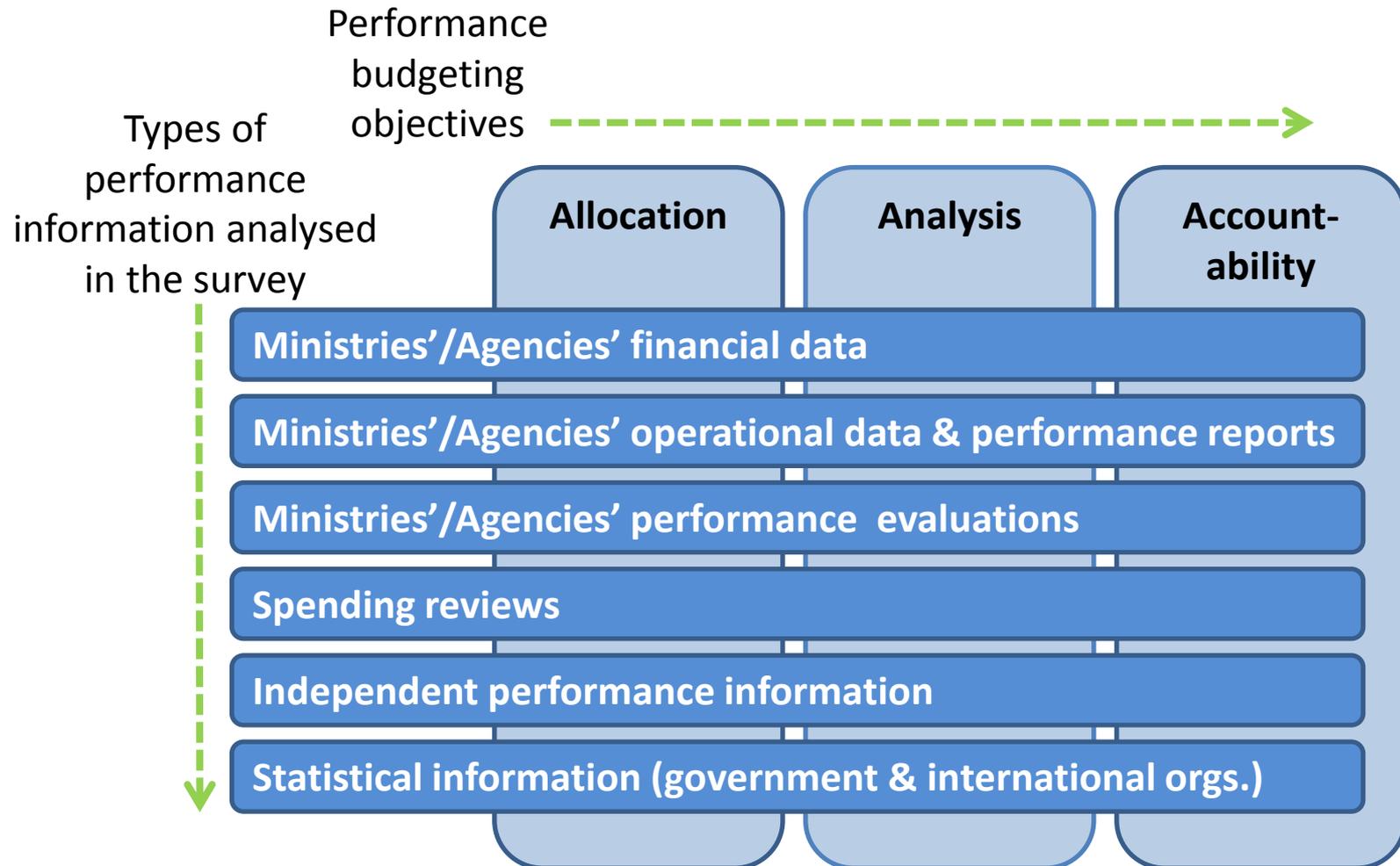


The approaches to performance budgeting differ ...

- No consensus on **how and to what extent** performance information should be concretely used - “More is not necessarily better”
- **Position 1:** Tie performance information as closely as possible to the budget process. MoF/Chief Executive/Cabinet should monitor all government performance to the widest extent possible
- **Position 2:** This is overly bureaucratic, distorts incentives for managers, produces a high number of unused reports, overburdens the ministry of finance with information, undermines line ministry ownership
- **Middle ground?:** Performance assessments necessary; particularly within line ministries for debate and transparency about results, Cabinet/Chief Executive/MoF should use performance information in targeted ways where relevant (e.g. health, education, new programs, high priority programs)



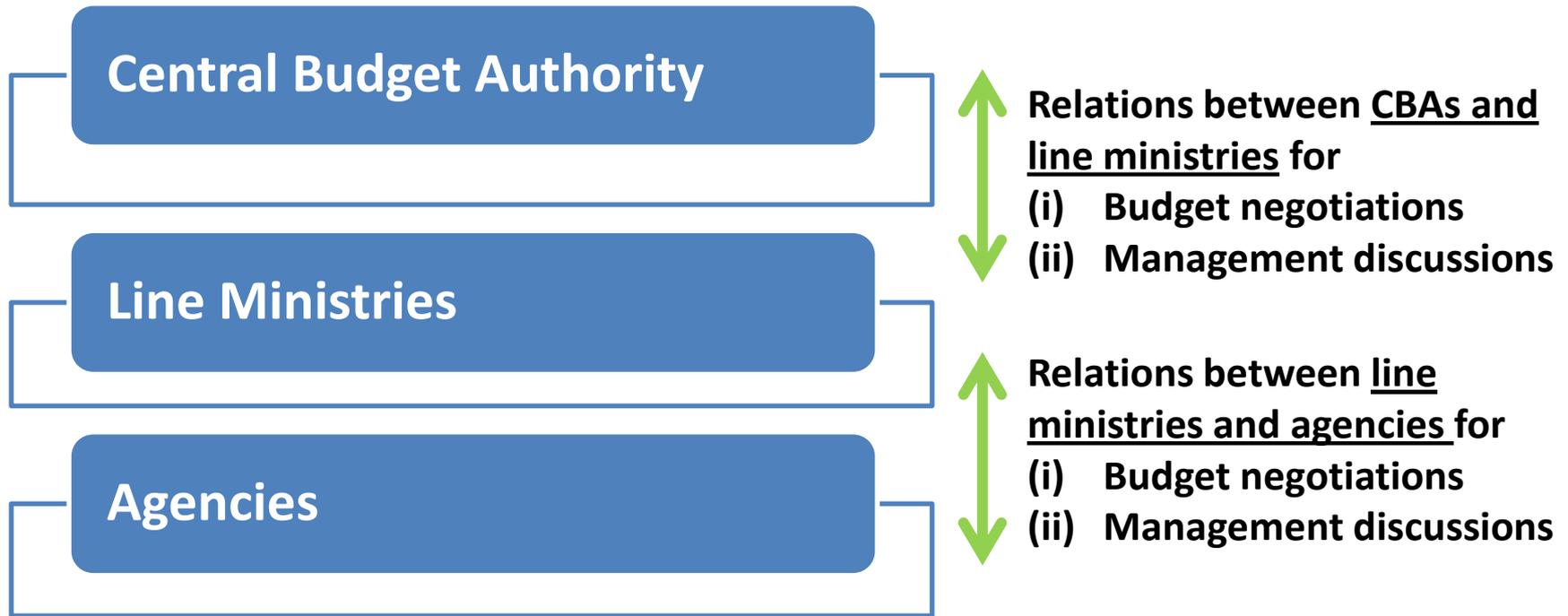
Performance information can be used for a variety of purposes and by different actors





Conceptual framework: who uses performance information in the budgeting process?

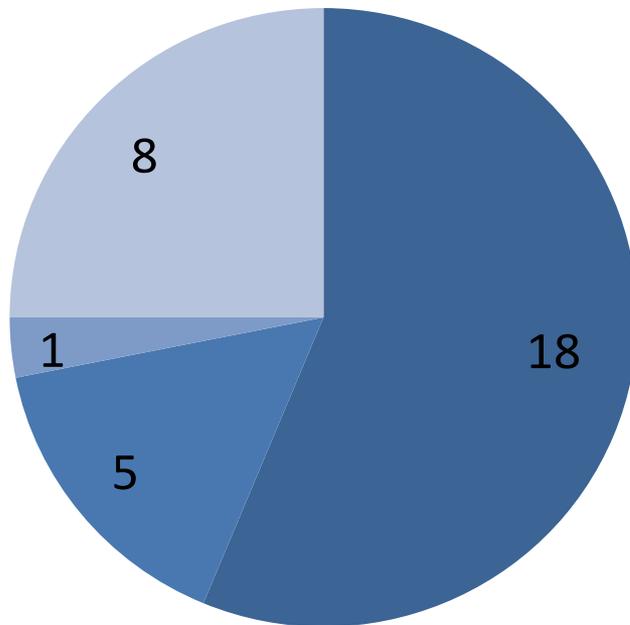
Scope of Central Government covered in Questionnaire





Most countries have a framework in place, but scope varies

Does the CBA have in place a standard performance budgeting framework which is applied uniformly across central government organisations?



- Yes for both line ministries and agencies
- Yes, but only for line ministries
- Yes, but optional for line ministries and agencies
- No, line ministries/agencies have their own



The most avid users: line ministries

Activities

Top two most common institutions responsible in OECD countries

Establishing a standard performance budgeting framework or drafting guidelines

Chief Executives (e.g. Presidents/Prime Ministers' offices) and CBAs

Setting performance targets

Line ministries and agencies

Generating performance information

Line ministries and agencies

Conducting evaluations

Line ministries and agencies

Developing and maintaining ICT system for managing or supporting data and process needs for performance budgeting

CBAs and internal audit institutions

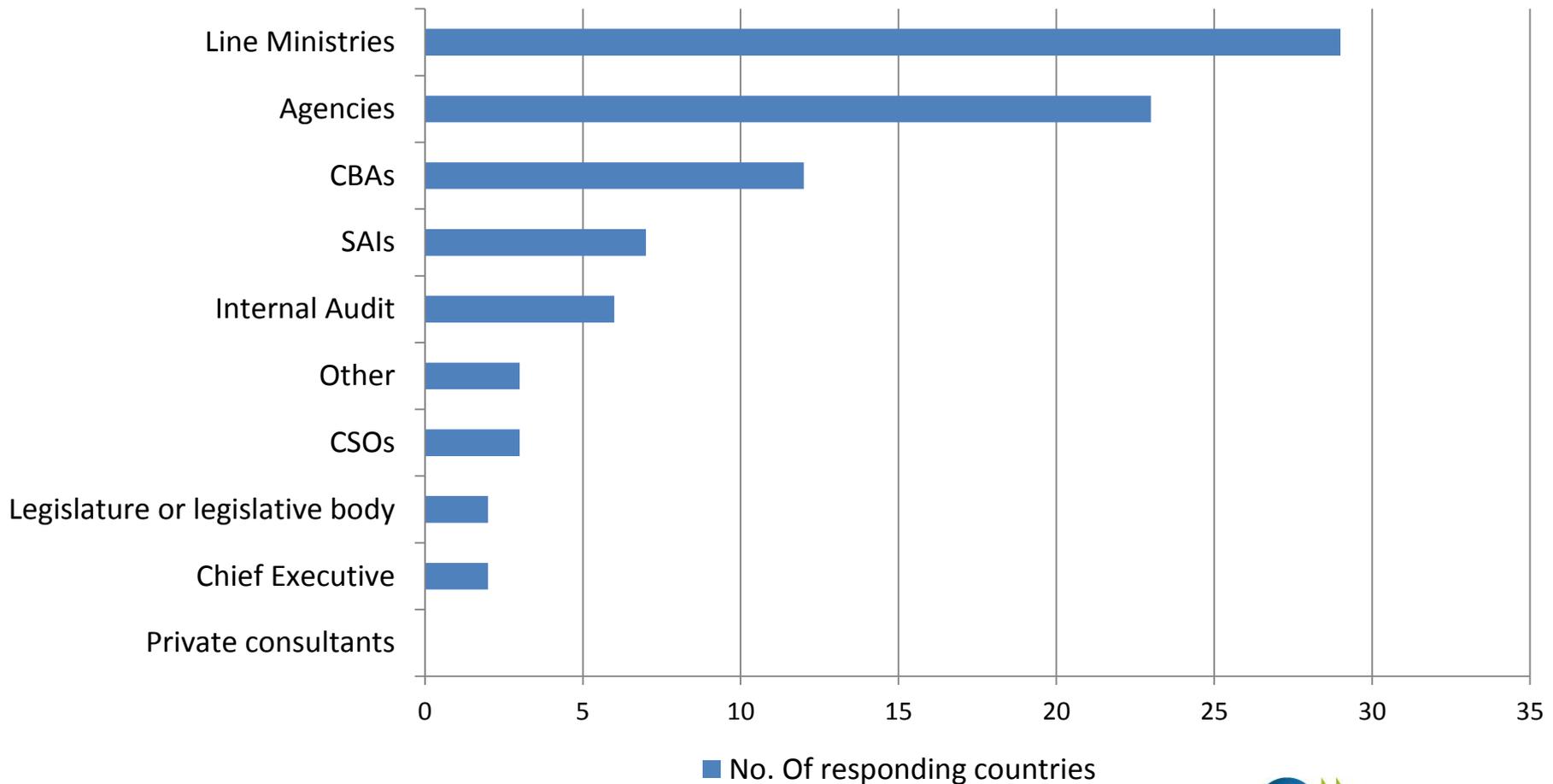
Allocation and/or reallocation of funds based explicitly on performance information (excluding Spending Reviews)

CBAs and line ministries



Information is generated in the line

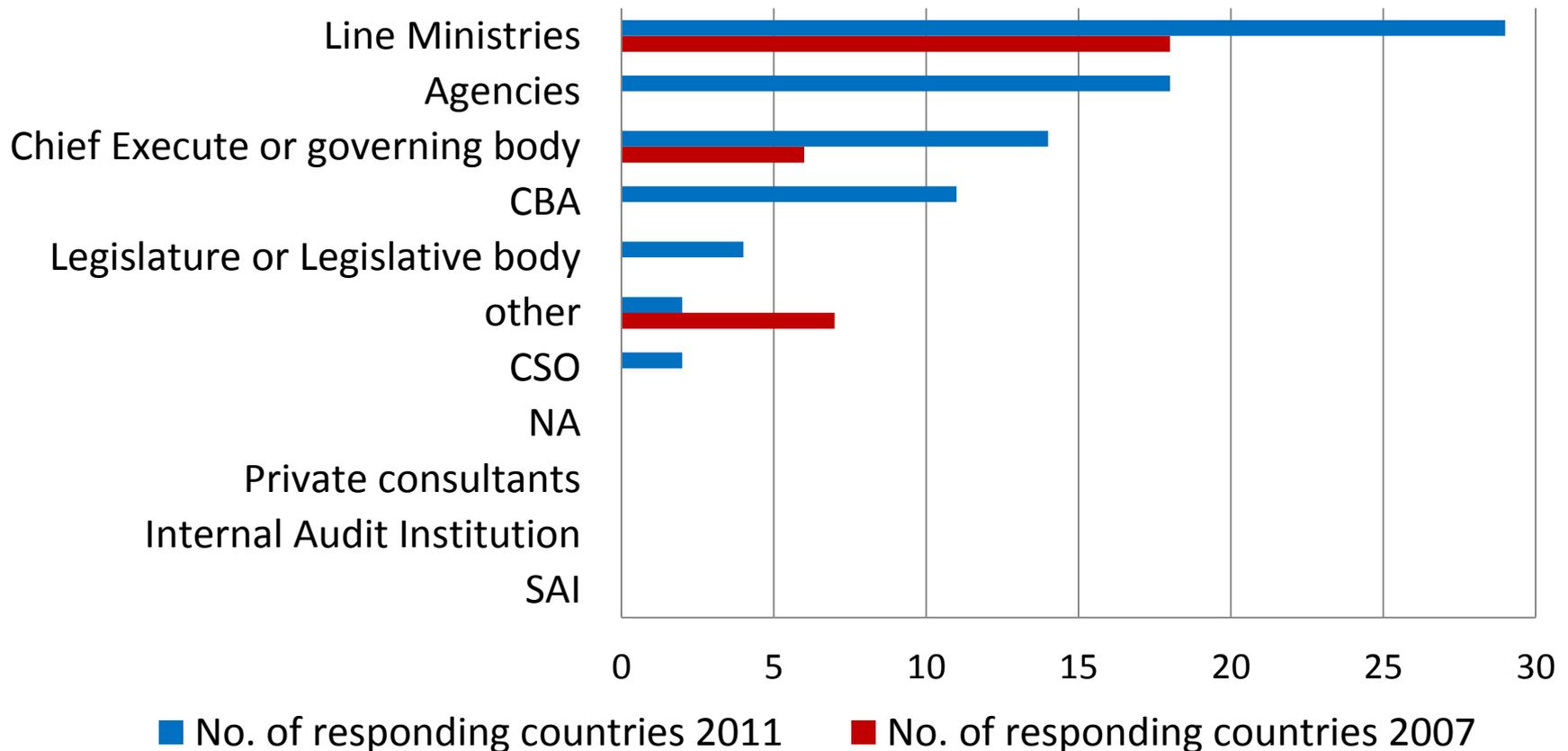
Main institutions responsible for generating performance information





... an increase in the role of Line Ministries for setting targets

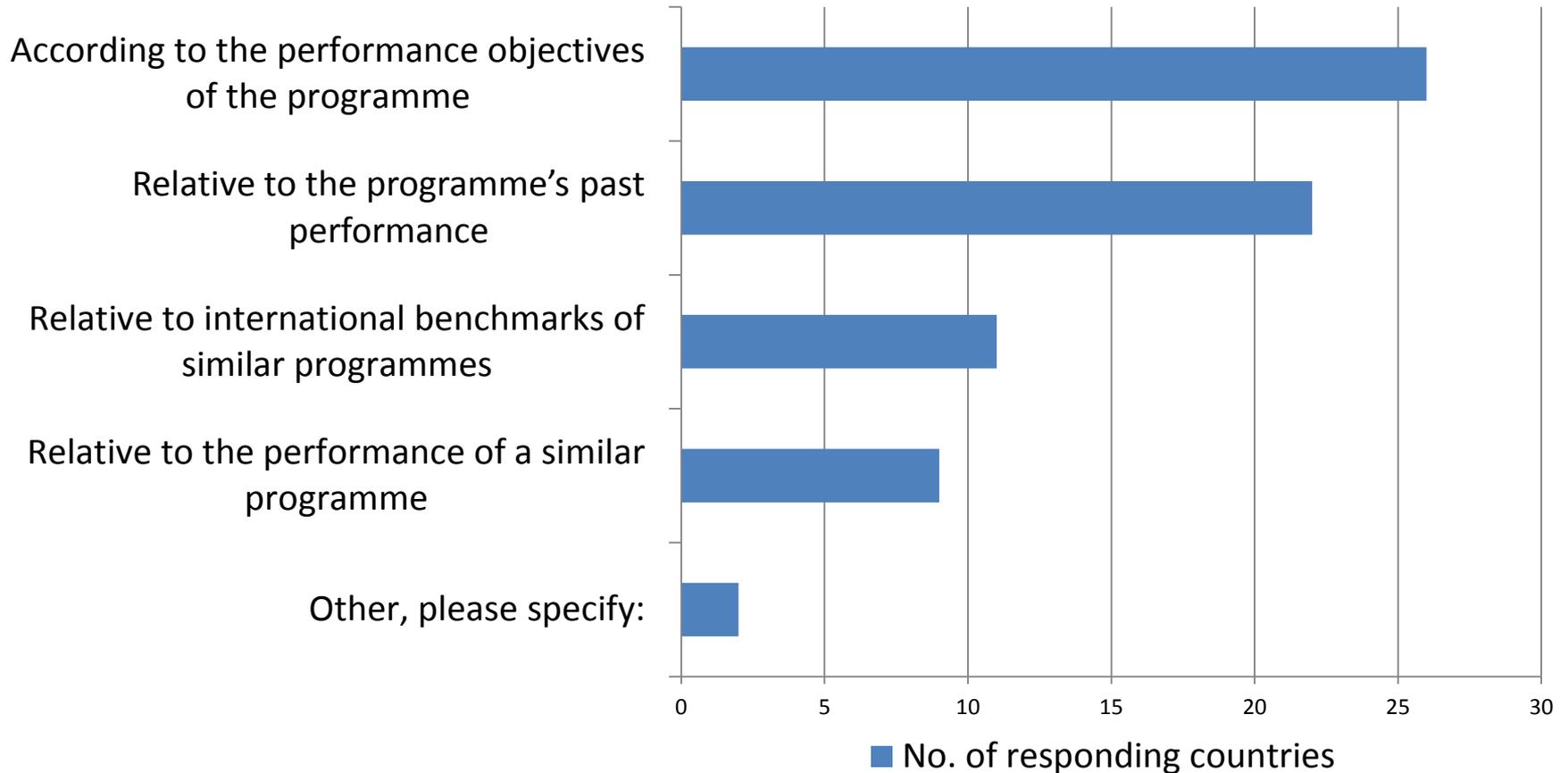
Responsible for setting performance targets





Performance targets are set according to objectives and past performance

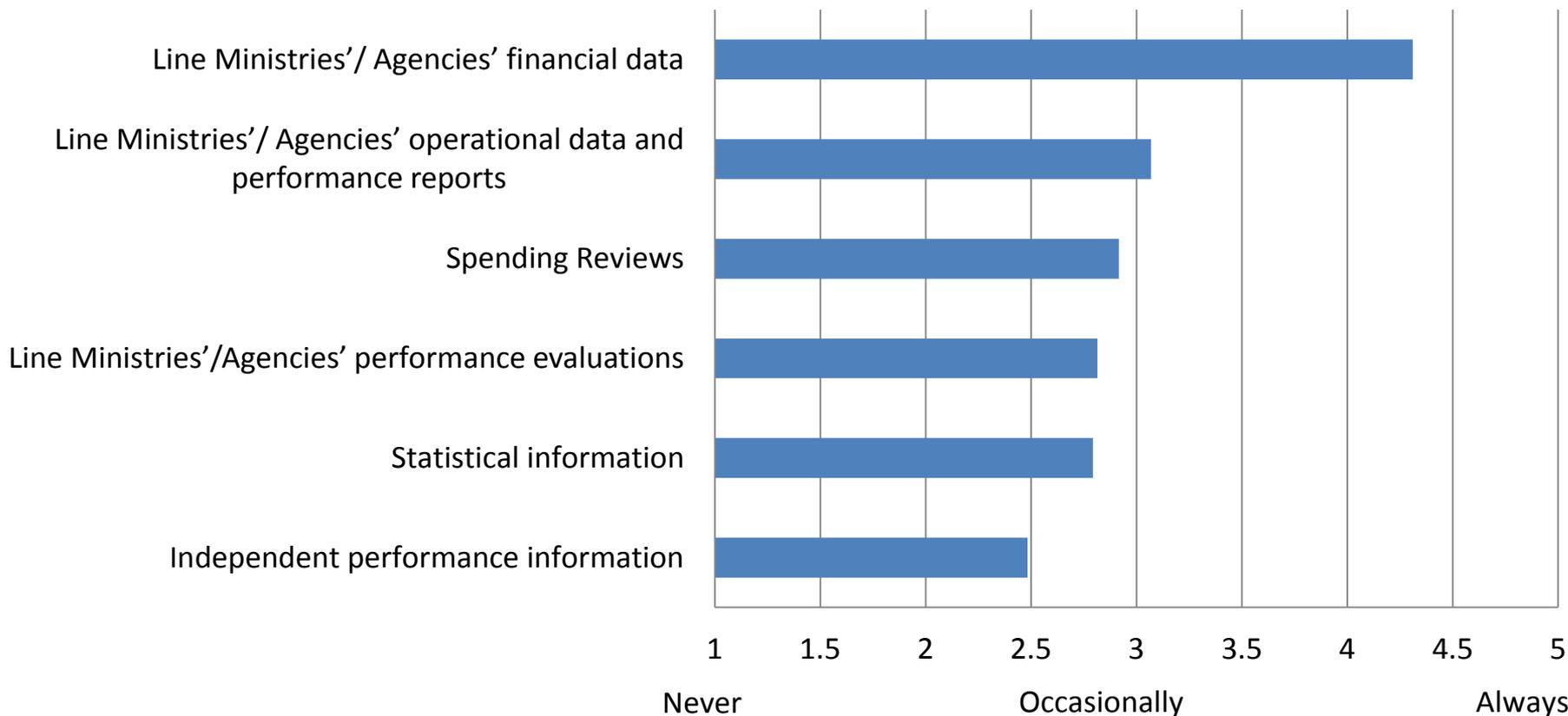
How are performance targets set?





In budget negotiations financial performance data is nearly always used, non-financial only occasionally

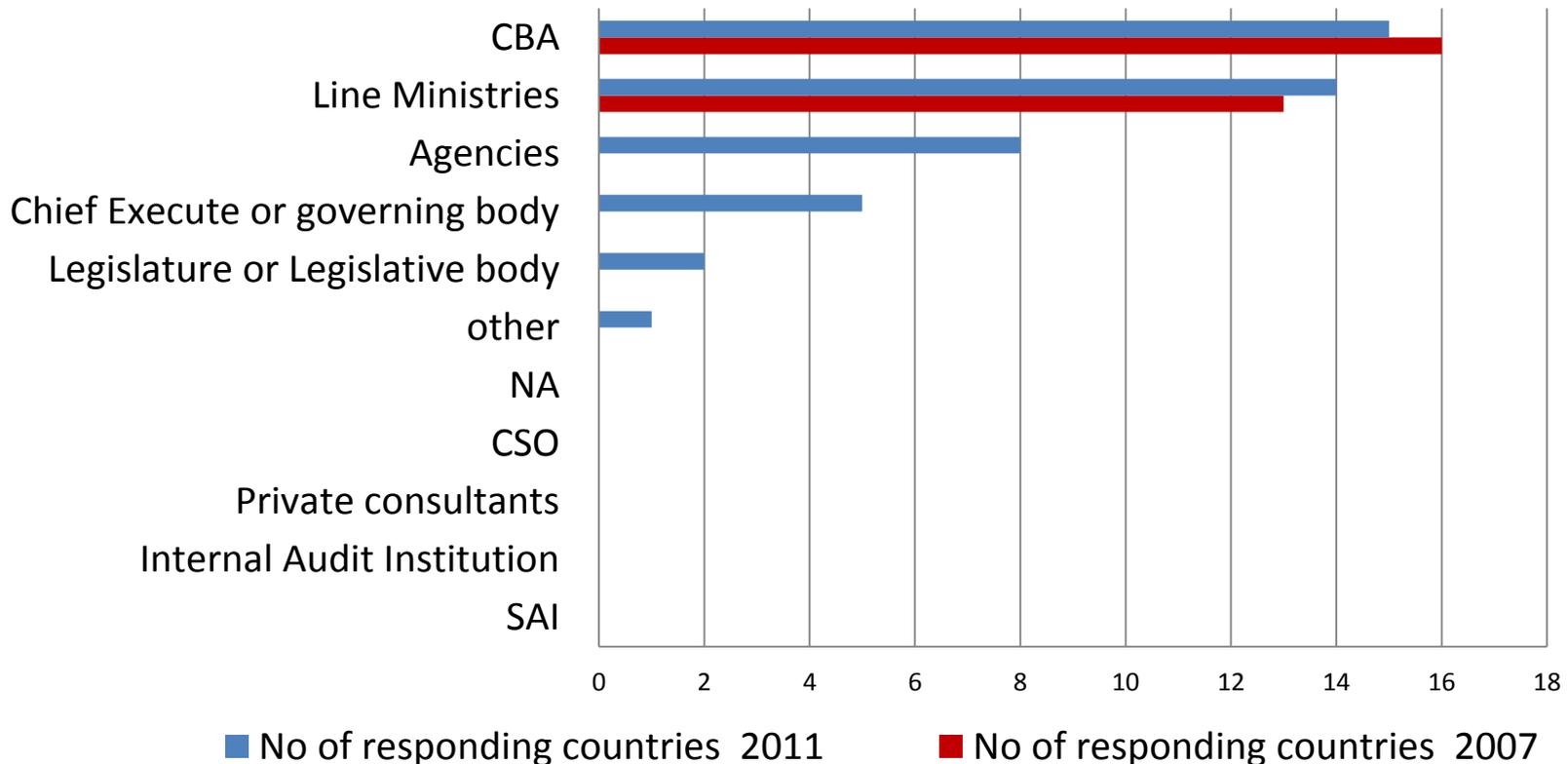
How often do the Central Budget Authority (CBA) and Line Ministries utilise the following kinds of performance information in their budget negotiations?





No clear dominance as to re/allocation; perhaps a slight decentralisation trend ...

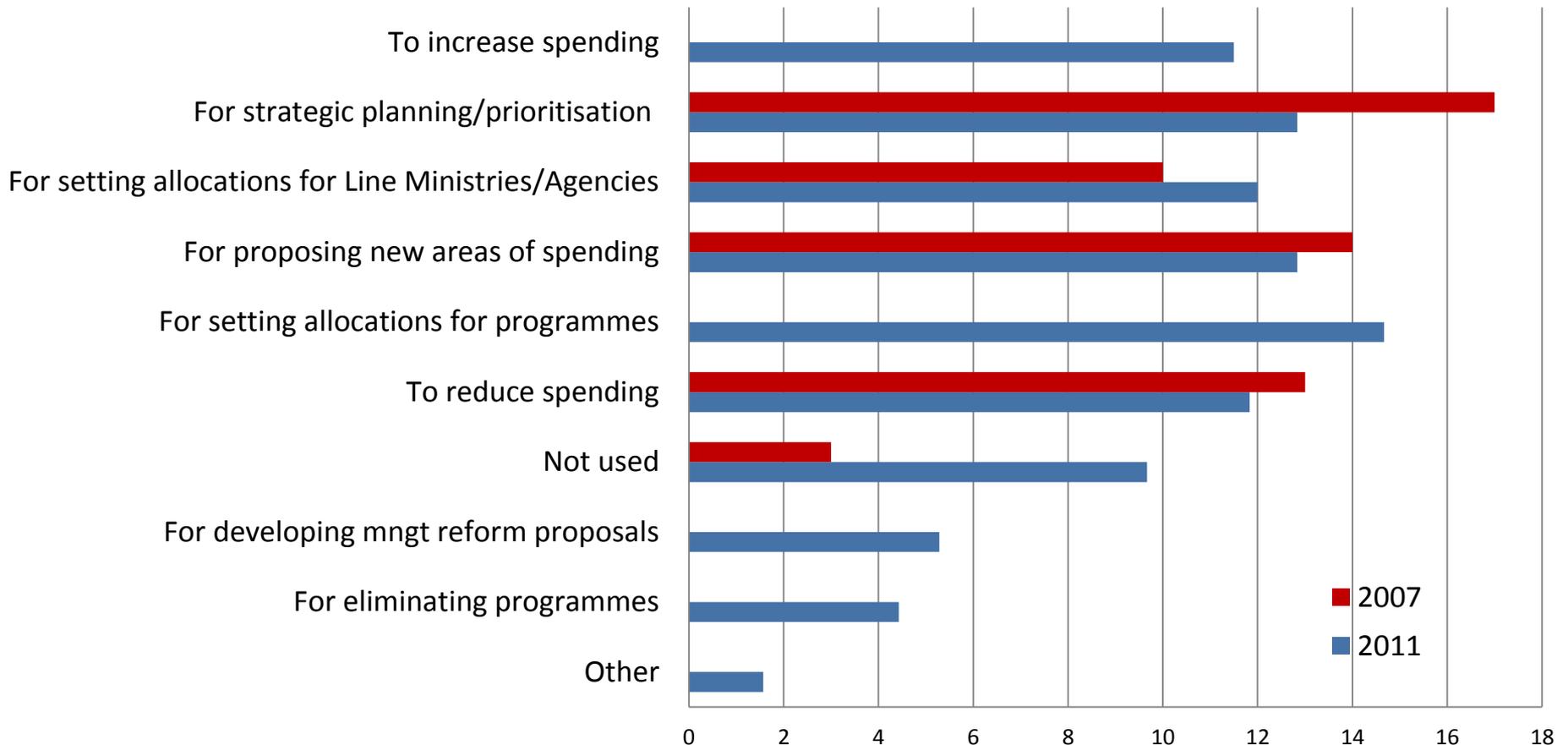
Who is responsible for the allocation or reallocation of funds based on PI?





Performance information is used for a multitude of purposes ...

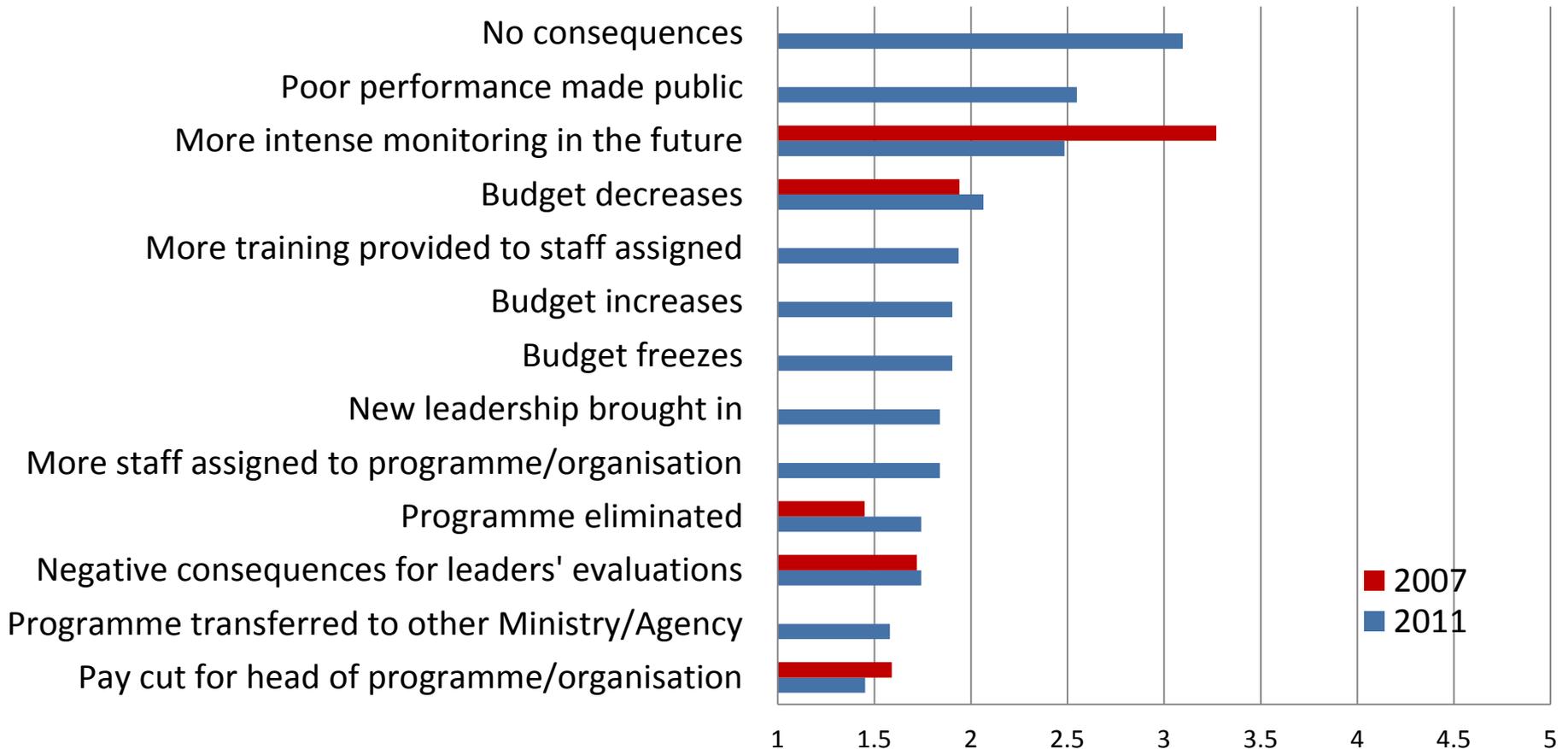
How is performance information generally used by line ministries in their negotiations with CBAs?





There is not a straight-forward answer to poor performance

What happens when performance targets are not met?





Performance information – survey results summary

- Performance budgeting practices are widely implemented, but varied
- Performance budgeting is generally a decentralised practice within the central/federal government. The exceptions are Spending Reviews, which are top-down in nature
- Decentralisation seems to be increasing: the role of central ministries with respect to funding and setting targets seems to be decreasing (2007 vs. 2011/12)
 - In CBA-line ministry budget negotiations performance information is being used less for strategic planning and to a growing extent not at all
 - There is an increase in the role of Line Ministries and agencies as the main institutions responsible for setting performance targets
- But at the same time a plurality of countries indicated that austerity has strengthened performance budgeting in general



Spending Reviews

A specific kind of government evaluation, commissioned ex ante with the specific objective to **identify budgetary savings across** government, to create fiscal space. Spending Reviews have three main characteristics:

- Spending reviews not only look at programme effectiveness and efficiency under current funding levels, but also examine the consequences for outputs and outcomes of alternative funding levels.
- The responsibility for the spending review procedure is under the responsibility of either the Ministry of Finance or the Prime Minister's Office with the participation of the line ministry.
- The follow-up of spending reviews is usually decided in the budget process.



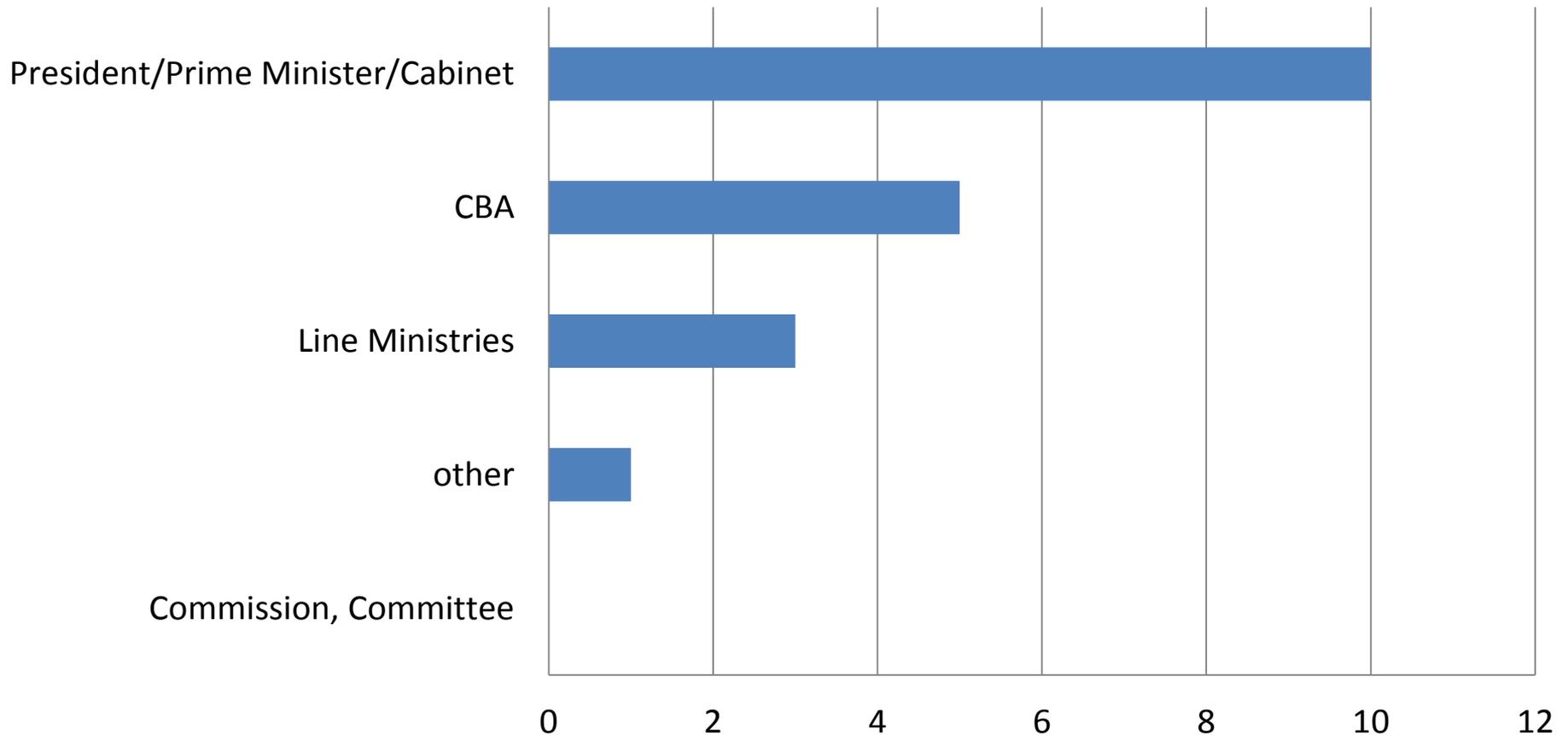
Preconditions for effective spending review

- Require political will, that is ...
must be seen as a solution to a political problem, rather than solely a technical bureaucratic effort
- Efficiency reviews - across policy areas
- The review team must contain the necessary political and technical capacity
- Should focus on priorities i.e. sensitive to politics as well as efficiency and effectiveness
- The performance budgeting system should support spending review to the extent possible (evaluations, indicators, reports)
- Spending Reviews have the most impact when change is necessary but effects may take a few years to show themselves – links to the medium term framework are important



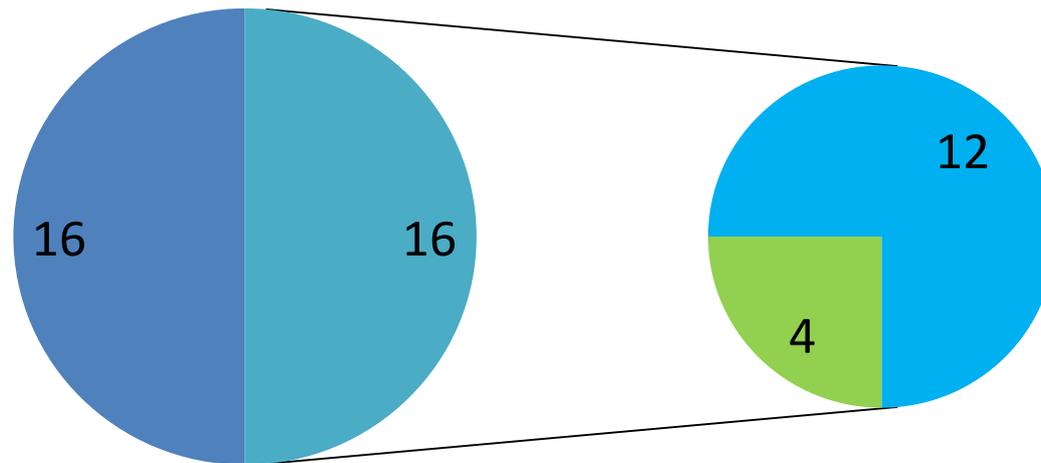
At heart spending review is a top down process

Institutions with final decision-making powers during spending review process





Half (16) of responding countries conduct spending reviews, the majority of which include both mandatory and discretionary spending

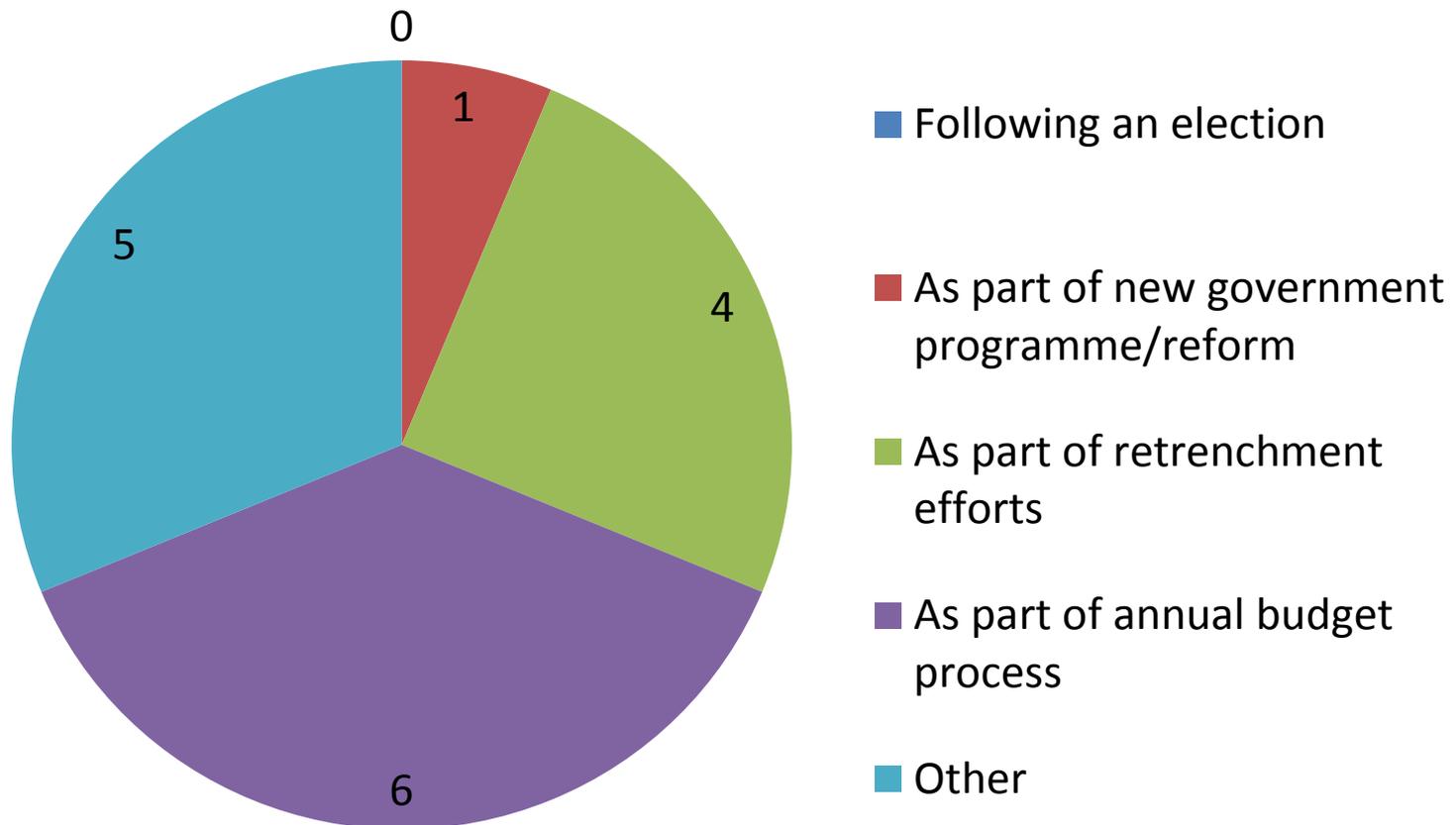


- Number of countries that conduct spending reviews
- Transfers and/or entitlement expenditures governed by law
- Expenditures governed by budget appropriations
- Both types (a and b) of expenditures are examined



No uniformity in when reviews happen

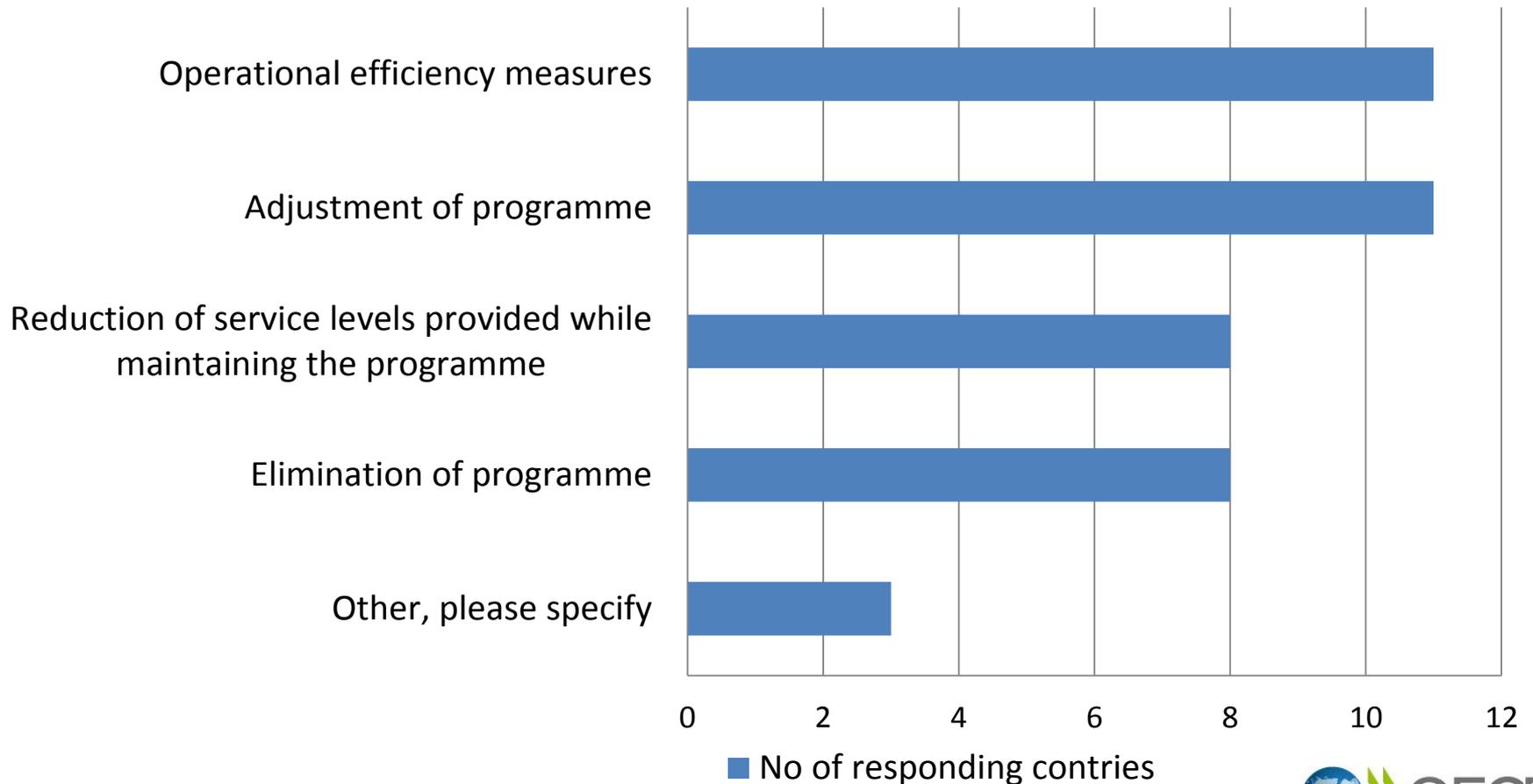
When are comprehensive SRs (all programmes) conducted?





Reviews mostly target efficiency savings

What were the savings measures adopted by the last round of spending reviews?





Spending Reviews – survey results summary

- CBAs and line ministries are the main actors
- At heart spending review is a top down process
- Half (16) of respondents use spending review
- The majority include both mandatory and discretionary spending
- Great variation in the number of spending reviews and when in the political cycle they happen
- Reviews mostly target efficiency savings



Next steps

Sub-surveys	OECD	Regions
Performance Budgeting Survey	Results presented/ discussed at the OECD SBO Performance and Results Network on 26-27 November 2012	Latin America are underway Eastern Europe and Central Asia ? Africa Asia
Budgeting Procedures and Practices Survey	Survey deadline January 2013, quality control spring 2013. Results to be presented/ discussed at the OECD SBO meeting on 3-4 June 2013	Africa and Latin America are underway Eastern Europe and Central Asia ? Asia
Accountability and Control Survey	Questionnaire is being drafted. Planned to be sent out in the spring 2013. (To be discussed at the OECD SBO Accruals Network)	No decision
Independent Fiscal Institutions Survey	Survey 2011. Recommendations to be discussed at the OECD Parliamentary Budget Office Network on 21-22 February 2013	No decision



Contact Information

Knut KLEPSVIK
Senior Policy Analyst
Budgeting and Public Expenditures Division

Knut.KLEPSVIK@oecd.org

Tel: +33 1 45 24 83 32

Web site: www.oecd.org/gov/budget

The OECD Budget Database:

<http://www.oecd.org/gov/budgeting/internationalbudgetpracticesandproceduresdatabase.htm>