

Designing Budget Programs and Performance Measures

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Begin at the end: Who cares?

Minimum conditions for success:

- Somebody has to demand it, AND***
- Somebody needs to use it, AND***
- There have to be consequences***





Roles and responsibilities

- Government/Parliament
 - *Decides policy/law, monitors implementation*
- Central Ministry (MoF/Planning/PMO)
 - *Establishes rules, definitions and controls*
- Line Ministry
 - *Applies the policies*
- Other institution (SAI, Ombudsman)
 - *Maintains integrity of the policy/law*

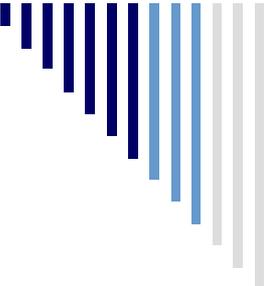


Roles V Interests in practice

Role	Level of interest	For what
Parliament	Rarely	Accountability, Political Gain
Government	Rarely	Political Gain, Efficiency
Central ministries	Selectively	Efficiency
Line agencies	Mostly	Budget allocation Staff focus Service quality
Workers	Sometimes	Job clarity Personal rewards
Public and NGOs	Sometimes	Service quality

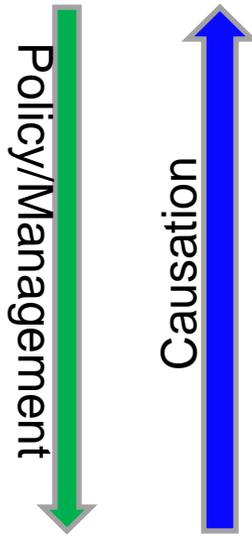
Source: Survey of Australian Government Agencies, November 2012





Design – Indicators & Measurement

Logical Framework:

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- Objectives – What will policy achieve?
 - Outcomes – What difference will it make?
 - Programs – How will it be achieved?
 - Outputs – What will be delivered?
 - Processes – What actions will be performed?
 - Inputs – What resources are needed?





Responsibility and Structure

Policy/Management Component	Performance Architecture	Responsibility
National strategy	Objectives	Government
Sector strategy	Outcomes	Ministers
Organisation plan	Programs	Chief Executives
Policy/Operational plan	Outputs/Activities	Departments/Divisions
Business/Work plan	Outputs/Activities	Business unit/Section
Performance agreement	Goals and targets	Individual

Alignment from top to bottom and consistent across organisations is important

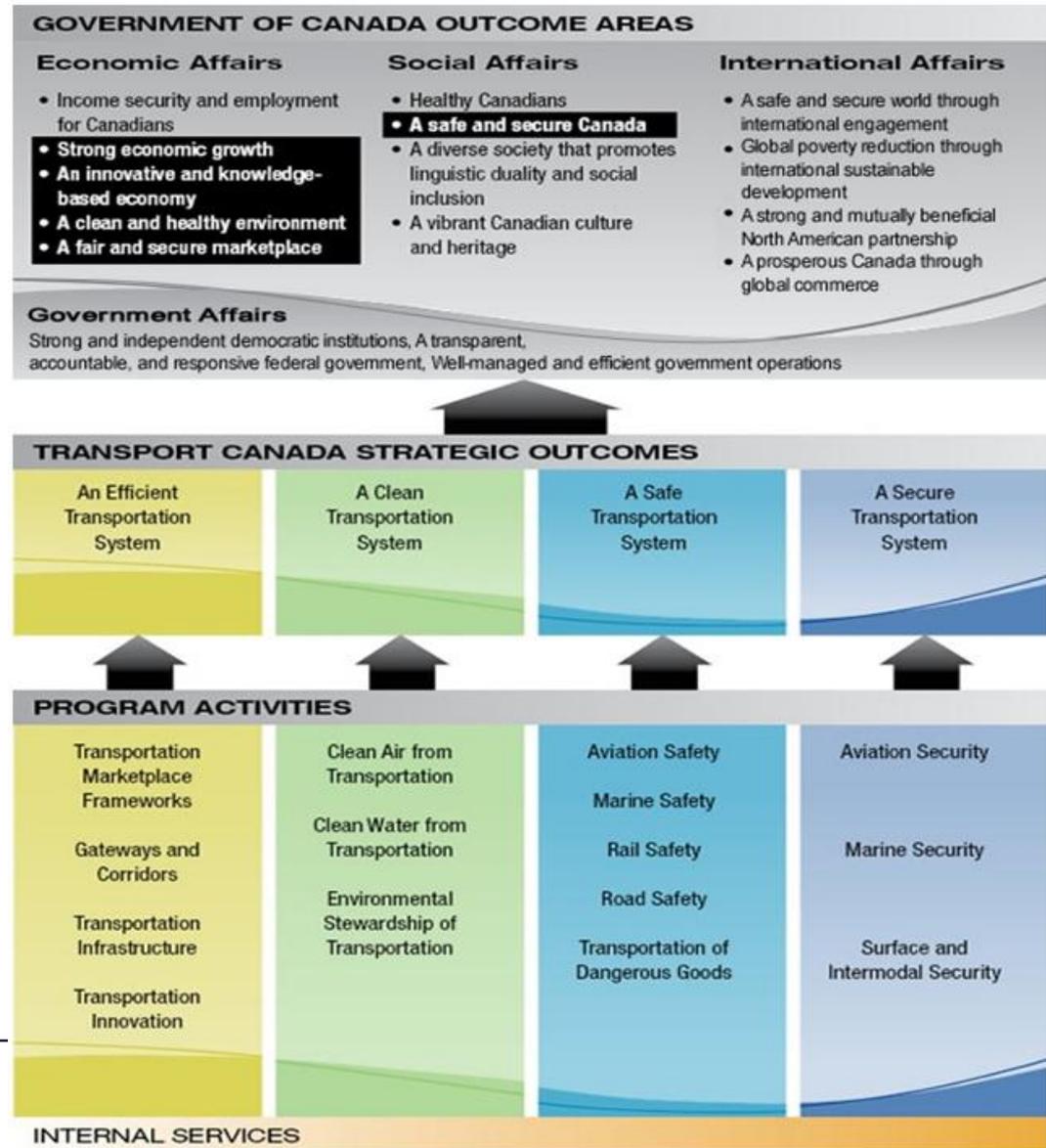


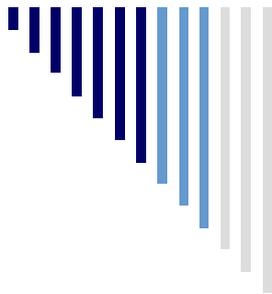
Example of structure

TRANSPORT CANADA

Key Points:

- Common internal services across programs
- Programs linked to transport outcomes
- Transport outcomes linked to Government outcome areas
- Funded by organisation by: Operating, capital, transfers, other statutory appropriations





1.4.4 Summary of Performance Tables, by Strategic Outcome and Internal Services Strategic Outcome 1: An Efficient Transportation System

Performance Indicators	Targets	2011-12 Performance
Transportation sector productivity level (Index)	Increase by 2.5 percent to 5 percent relative to 2009 baseline (Productivity Index > 113 in 2014)	Transportation business-sector productivity increased by 3.9 percent from 2009 to 2010. (For-hire trucking was not included, as figures are being updated). This was primarily due to an increase in transportation output as demand returned following the reduction in economic activity in 2009.
Transportation sector cost level (Index)	Growth in unit costs does not exceed 11 percent over a 5-year horizon (Cost Index < 111 in 2014)	Unit costs for the same subset decreased by 1.1 percent. The decrease was due to a reduction in the unit cost of capital as well as other materials and services.

Program Activity	2010-11 Actual Spending (\$ millions)	2011-12 (\$ millions)				Alignment to Government of Canada Outcomes
		Main Estimates	Planned Spending	Total Authorities	Actual Spending	
* Due to rounding, columns may not add to the totals shown.						
Transportation Marketplace Frameworks	10	9	9	10	10	A fair and secure marketplace
Gateways and Corridors	243	541	544	542	200	Strong economic growth
Transportation Infrastructure	282	291	334	384	366	Strong economic growth
Transportation Innovation	11	14	14	15	11	An innovative and knowledge-based economy
Total*	546	854	901	951	587	

Key Points:

- high level targets with measured result
- Planned v actual spend
- Link to government Outcomes
(also provides explanation of shortfalls – not included here)





Example 2:

Republic of Korea:

Hierarchy of program structure

- Sector → Sub-Sector → Strategic Goal → Program → Sub-Program → Activity
- 12 Sectors
 - Each sector consists of various ministries
- Sub-Sector
 - Corresponds to each line ministry
- Strategic Goal
 - 3-5 goals in each ministry and corresponds to each office within each ministry
- Performance Goal (Program)
 - Corresponds to each division within each ministry
- Sub-program
 - belongs to each department within each ministry
- Activity

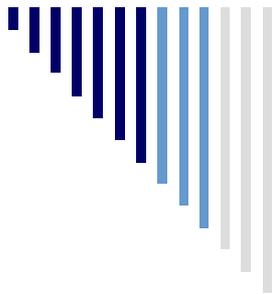




What kind of performance?

- Key results (outcomes, outputs, targets)
- Economy – how much does it cost?
- Efficiency – cost per unit
 - e.g. cost of medical procedures
- Effectiveness – effort to achieve outcome
 - e.g. degree of success in reducing road deaths
- Equity – relative impact for target groups
 - e.g. pro-poor, opportunities for women





NZ Health

Key Points:

- Specific quantity, quality and timeliness
- Some more specific than others
- Achieved, not achieved and partially achieved - consequences???

Performance measure	Budget Standard	Actual
National Alcohol Action Plan		
Development of interagency action plans to guide Government responses to reducing alcohol related harm	Quantity: <ul style="list-style-type: none"> • A new National Alcohol Action Plan • A new action plan focusing on Foetal Alcohol Spectrum Disorder 	Not achieved ^a
	Quality: Develop a draft action plan and undertake public consultation prior to seeking Cabinet agreement	Not achieved ^b
National Cancer Programme		
Implementation of work plan for reducing cancer wait times	Quantity: Wait time indicators for medical oncology and surgery are developed, medical oncology and radiation wait time measures are monitored, and future sector capacity requirements to reduce wait times are identified	Achieved All DHBs reported radiation oncology wait time data to the Ministry on a monthly basis. This data was used to determine achievement against the target. Criteria for medical oncology services were developed, and DHB medical oncology wait times monitored quarterly
	Quality: All relevant DHBs are supported to collect and report data reliably	Achieved
National Immunisation Programme		
a. Deliver the National Immunisation Programme	Quantity: 87% of 2-year-olds fully immunised by July 2010 (95% by July 2012)	Achieved 87% of 2-year-olds were fully immunised
b. Review the design of the National Immunisation Register	Quality: Ministry and DHBs agree to a set of functions needed and the division between national and district functions	Not achieved ^c
c. Simplify and streamline contracts for immunisation services	Timeliness: c) Agreed set of functions by 30/12/2009, new contracts in place by 30/3/2010	

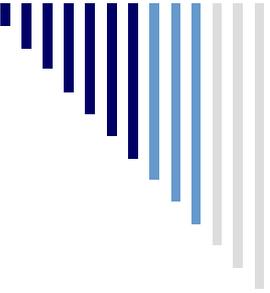




Ideal characteristics of targets

- S** - specific
- M** - measured
- A** - achievable
- R** - relevant
- T** – time bound





How to classify performance?

- Link to GFS functions and sub-functions
- Link to organisational structures
- Link to revenue & expenditure codes

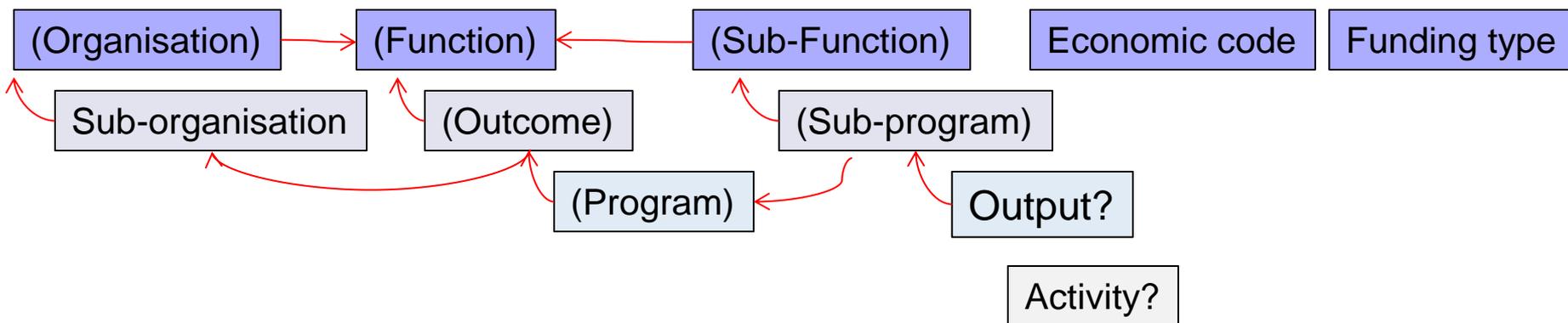
Trade-off: *who cares?*





Budget classification of performance data:

Budget Classification - Possible components of the Chart of Accounts:



Where there are unique 1:1 relationships between elements, the code can be simplified for users





Performance information and budgets*

1. **Presentational performance budgeting:** Background information but not explicitly for decision-making
2. **Performance-informed budgeting:** Performance information is linked to budget allocation and used along with other information in the decision-making process.
3. **Formula performance budgeting:** Allocation of resources based solely on past and planned performance. Used only in specific sectors, such as education and health.
 - e.g. student vouchers (Sweden), casemix health services (Australia)

* OECD Classification





Performance indicators are only part of the story

- Supplemented by expenditure reviews:
 - Ireland and UK comprehensive reviews
 - Australia strategic reviews
 - Netherlands and Chile centrally managed evaluation systems
 - USA agency/OMB reviews





What is the role for audit?

Internal audit

- Compliance with policies
- Design and specification
- Data and systems
- Reporting quality
- Use of performance information

External audit

- Compliance with policies
- Quality and reliability of finances and measurement
- Efficiency and effectiveness
- Appropriateness



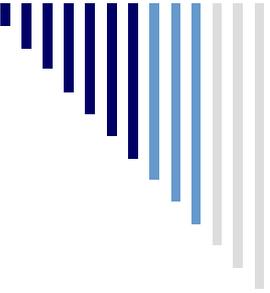


Use

- Reporting (passive)
- Monitoring (passive)
- Analysis and evaluation (passive)
- Application (active)

Application is what matters most





Common problems:

- Nobody cares (no use, no consequences)
- Lack of policy/goal clarity
- Compliance without commitment
- Too hard to quantify/cost
- Nobody is responsible/unclear accountability
- Targets are misleading/distort behaviour
- Shortage of trained staff
- Insufficient budget
- Circumstances/government change

