

# **Implementing Performance Budgeting**

## **Getting Some of the Details Right**

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# Implementing Performance Budgeting

## Getting Some of the Details Right

### Purpose of the Presentation

The purpose of this presentation:

--- obstacles

--- “how to approaches”

--- budget presentations

--- some examples

# Implementing Performance Budgeting

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### Some Obstacles

Obstacles to effective performance budgeting implementation:

- lack of a program and appropriation structure for performance budgeting
- confusion/overlap between strategic plans and performance budgets
- failure to identify activities around management responsibilities
- making performance budgets materials too complex

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### Structuring Performance Budgeting Programs and Appropriations

MINISTRY OF FINANCE-- PROGRAM AND ORGANIZATION MATRIX													
2008 Budget (IDR in millions)													
Bappenas Programs Medium-Term Development Plan 2005-2009	Secretary General	Inspectorate General	DG Budget	DG Debt	DG Fiscal Policy	DG Tax	DG Fiscal Balance	DG Asset Management	Capital Markets Board	DG Treasury	Training and Professional Education	DG Customs	Number of DGs/Directors
<b>Main Programs</b>													
1. Revenue Increase and Fund Safeguarding	12,626	---	---	---	24,912	1,630,626	---	269,186	---	---	---	830,888	5
2. State Expenditure Effectiveness	--	--	4,284	--	13,594	---	63,164	---	---	207,301	---	---	4
3. State Financial Accounting	---	---	---	---	---	---	---	---	---	5,819	---	---	1
4. Financial Institutions Development	9,236	--	--	---	---	---	---	---	65,219	---	---	---	2
5. Financial and Economic Stabilization	---	---	---	---	31,548	---	---	---	12,388	---	---	---	2
6. Debt Financing and Management	---	---	---	46,801	---	---	---	---	---	---	---	---	1
7. Budget Systems Implementation and Improvement	---	---	---	---	---	---	---	---	---	---	---	---	---
8. State Assets Management	---	---	---	---	---	---	---	79,954	---	---	---	---	1
<b>Supporting Programs</b>													
1. Manpower Management	1,730	1,500	---	1,272	---	---	22,670	11,282	---	6,563	92,164	---	7
2. State Apparatus Accountability	---	39,012	---	---	---	---	---	---	---	---	---	---	1
3. State and Government Leadership	281,163	32,178	72,969	24,367	59,152	2,492,016	36,220	248,476	38,350	776,886	56,296	1,312,236	12
4. In-Service Education	---	---	---	---	---	---	---	---	---	---	12,522	---	1
5. State Apparatus Infrastructure and Facilities	320,184	---	---	9,466	4,080	663,567	---	634	---	258,205	67,478	98,030	8
<b>Total</b>	<b>624,939</b>	<b>72,690</b>	<b>77,254</b>	<b>81,907</b>	<b>133,285</b>	<b>4,786,209</b>	<b>122,054</b>	<b>609,531</b>	<b>115,957</b>	<b>1,254,773</b>	<b>228,461</b>	<b>2,241,153</b>	
<b>Number of Programs</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>3</b>	

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### Strategic Plans and Performance Budgets

		Strategic Plan		Performance Budget	
<b>Planning Horizon</b>		5 to 10 years; sometimes 20 years		budget year + medium term	
<b>Goals (Objectives)</b>		specific goals, but longer term in realization		---	
<b>Updates</b>		3 to 5 years		annually	
<b>Objectives (Goals)</b>		---		objectives to be accomplished during the medium term in support of strategic plan goals and describe what the program and its activities are trying to accomplish	
<b>Allocaion of Resources</b>		no		yes	
<b>Performance Indicators</b>		no		identified as those that advance the strategic plan, as well as those of a lesser level	

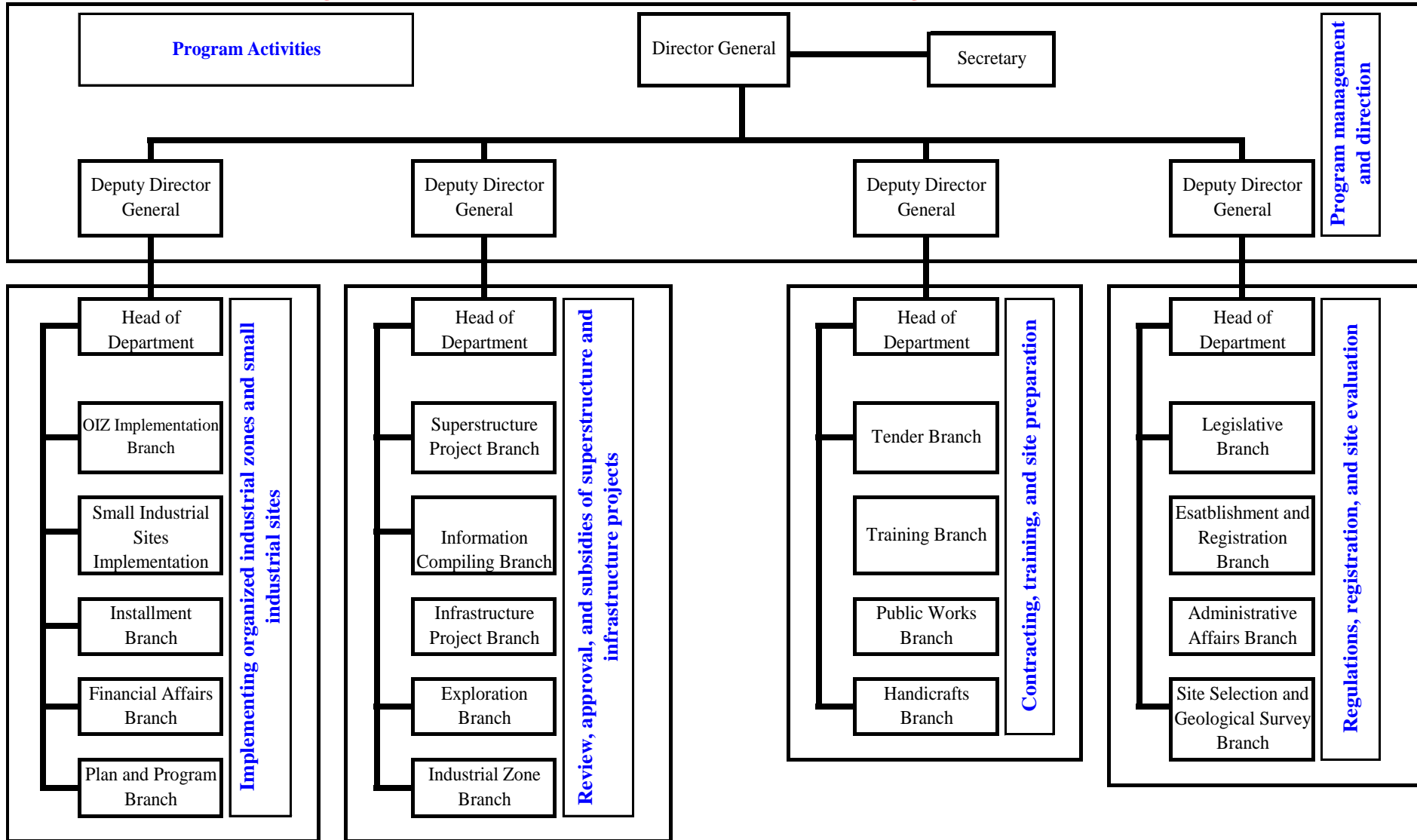
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## Getting Some of the Details Right

### Deriving Programs and Activities from the Organization Chart

Director General for Small and Medium Industry Development -- Organization Chart

**Program: Establishment of Small Scale Industrial Estates and Organized Industrial Zones**



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## Getting Some of the Details Right

### KISS and the Core Components of Program Budgeting

- The **KISS** principle (**keep it simple, stupid**) and essential components:
  - narrative program justification:
    - justifies expenditure request, in terms of:
      - (i) national policy and strategic plans; and
      - (ii) key results and targets, i.e., performance indicators.
  - expenditures over the MTEF;
  - employment levels (total v. individual categories?);
  - economic classification (?); and
  - performance indicators, by activity.
  
- different information requirements:
  - line ministry budget request to Ministry of Finance
  - budget decisions by Cabinet Committee (KPIs or SPIs, only)
  - budget submission to Parliament (KPIs or SPIs, only)

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## Getting Some of the Details Right

### A Simple, Sample Performance Budget Request

2011 Budget Request						
Ministry of Industry and Trade						
<b>Name of Program:</b> Establishment of Small Scale Industrial Estates and Organized Industrial Zones						
<b>Program Identification Code:</b> 000-xxxx-00-000						
<b>Program Objective:</b> To provide financial assistance and technical assessments to encourage the development and expansion of small scale industrial estates and organized industrial zones and to regulate and maintain a registry of those estates and zones.						
<b>Summary of Program Proposals in the 2011 Budget:</b> This section would highlight program initiatives, e.g., management improvements, funding levels, and policies proposed in the 2011 Budget and include references to projected targets over the medium term as expressed in performance indicators, etc.. This narrative section would justify the proposed activities and expenditure levels in terms of their contributions to advancing national policies and strategic plans.						
<b>Program Activities</b>	Expenditures (Turkish Lira, in millions)					
	<b>2008 Actual</b>	<b>2009 Estimate</b>	<b>2010 Budget</b>	<b>2011 Budget Request</b>	Medium Term Expenditure Projections	
					<b>2012</b>	<b>2013</b>
1. Implementing organized industrial zones and small industrial sites						
2. Review, approval, and subsidies of superstructure and infrastructure projects						
3. Contracting, training, and site preparation						
4. Regulations, registration, and site evaluation						
5. Program management and direction						
<b>Total, Program Activities</b>						
<b>Total Number of Program Employees</b>						
<b>Economic Classification Summary</b>						
Personnel						
Social Security Payments						
Goods and Services						
Interest Payments						
Current Transfers						
Capital						
Capital Transfers						
Lending						
<b>Total, by Economic Classification</b>						



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## Getting Some of the Details Right

### A Simple, Sample Performance Budget Request (continued)

**2011 Budget Request**

**Ministry of Industry and Trade**

**Name of Program: Establishment of Small Scale Industrial Estates and Organized Industrial Zones (continued)**

Performance Indicators, by Program Activity	2008 Actual	2009 Estimate	2010 Budget	Medium Term Expenditure		
				2011 Budget Request	Projections	
					2012	2013
<b>1. Implementing organized industrial zones and small industrial sites</b>						
PI: 1 Number of small industrial sites approved						
PI: 2 Number of organized industrial zones approved						
PI: 3 Number of small industrial sites becoming fully functional during the year						
PI: 4 Number of organized industrial fully functional during the year						
<b>2. Review, approval, and subsidies of superstructure and infrastructure projects</b>						
PI: 1 Total amount of subsidies provided for infrastructure and superstructure projects						
PI: 2 Number of infrastructure projects approved						
PI: 3 Number of infrastructure projects completed during the year						
PI: 4 Number of superstructure projects approved						
PI: 5 Number of superstructure projects completed during the year						
PI: 6 Average subsidy per new infrastructure project approved						
PI: 7 Average subsidy per new superstructure project approved						
<b>3. Contracting, training, and site preparation</b>						
PI: 1 Number of new contracts negotiated and approved						
PI: 2 Number of individuals receiving training						
PI: 3 Number of public works projects approved						
PI: 4 Number of contracts monitored per employee						
<b>4. Regulations, registration, and site evaluation</b>						
PI 1: Number of sites for which geological evaluations completed						
PI 2: Number of new regulations issued						
PI 3: Number of small scale sites registered						
PI 4: Number of organized industrial zones registered						
<b>5. Program Management and Direction</b>						
PI: Percent of program PIs achieved						

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### Summary

--- Program budgeting has been around since the 1960s:

- \* different names and forms
- \* different elements

--- Some lessons from the experience of many countries:

- \* program budget structures
- \* management accountability
- \* bottom up targets and results – performance indicators
  - the challenge function
  - evidence based decision-making
- \* the KISS principle

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**Thank you!**