

Performance Budgeting

Key success factors and pitfalls to avoid

Central, Eastern, and South-Eastern European Annual Meeting
of OECD Senior Budget Officials

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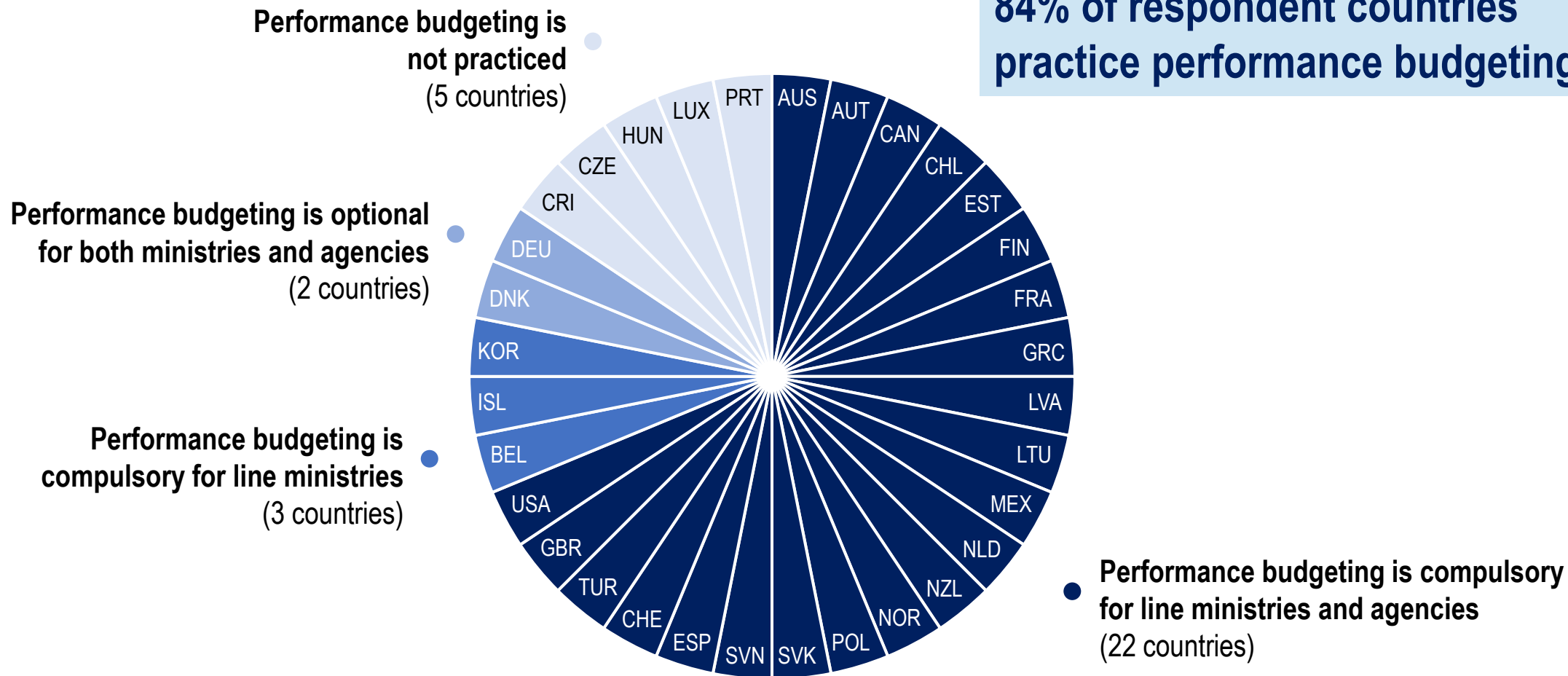


- All countries are facing **budgetary constraints**
- To help allocate public resources effectively, governments use **performance-based budgeting**, allowing funds to be linked to objectives
- However, performance-based budgeting is not a perfect tool; it is useful to examine the **key factors** and the **pitfalls**

- > The systematic use of performance information to **inform decisions and discussions** around the budget
- > Benefits of performance budgeting include increased **transparency** and **accountability** throughout the budget process
- > Shifts the focus away **from inputs** (“how much funding will I receive?”) **towards measurable results** (“what can be achieved with the funding I received?”)
- > No one-size-fits-all design to performance budgeting, but several factors can **facilitate its success**, such as clear, transparent objectives and incentives for major stakeholders, and a practical design of the process

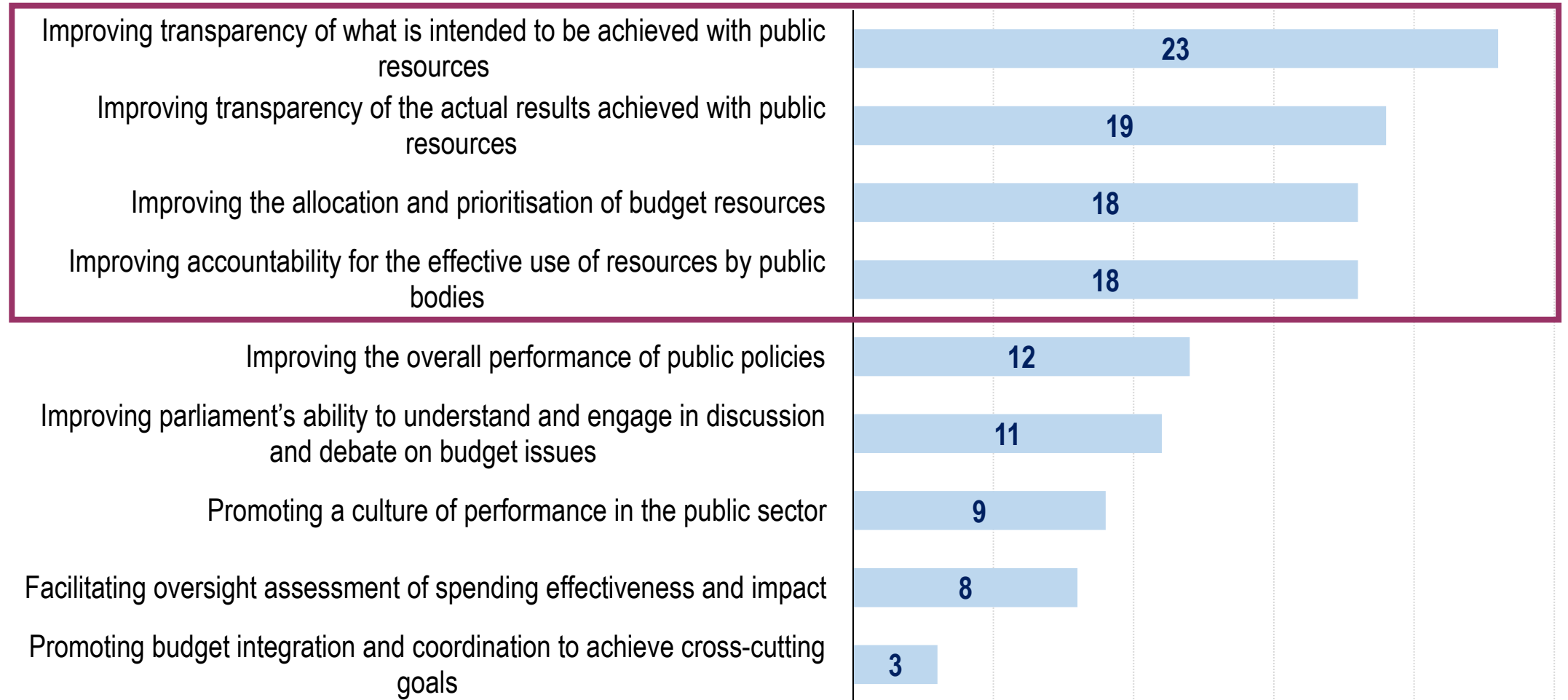
Performance budgeting is a widespread practice across OECD countries

84% of respondent countries practice performance budgeting



Performance budgeting is used to increase the transparency, effectiveness, and efficiency of public spending.

What are the main objectives of performance budgeting in your country?





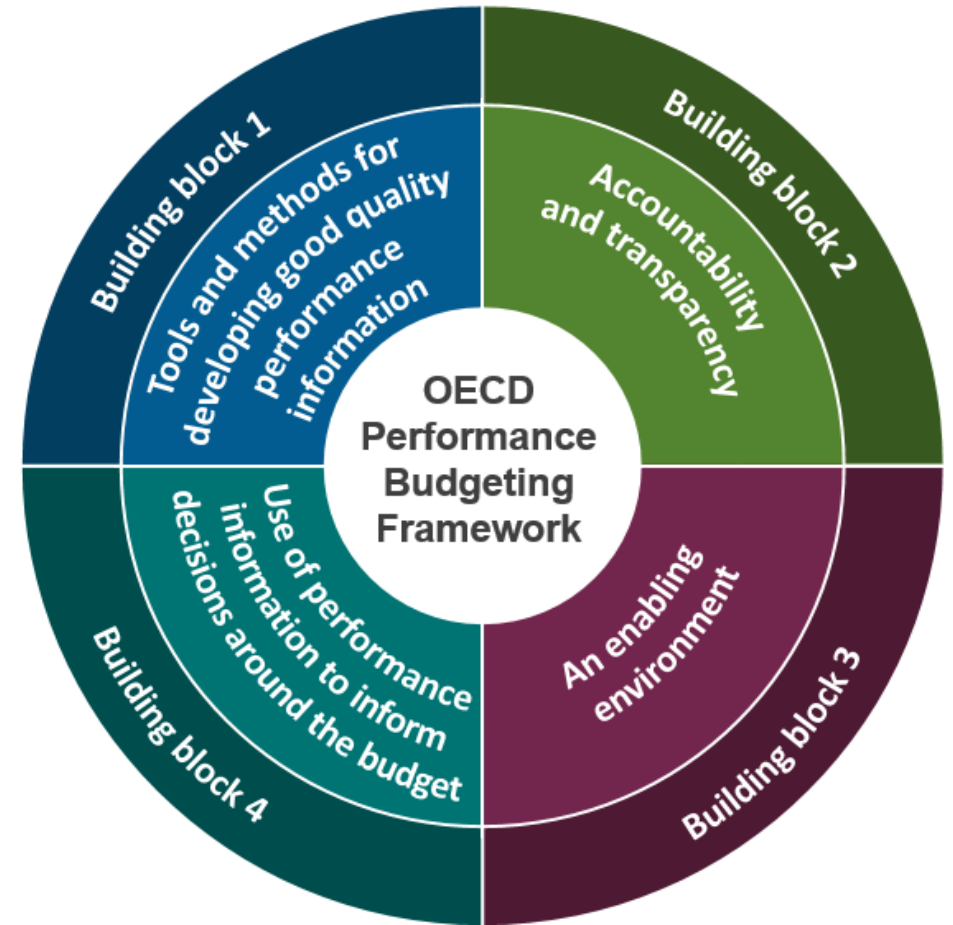
Roles of key stakeholders

Budget office	Spending entities	Parliament	Auditing bodies
<ul style="list-style-type: none">• Develops the performance budgeting framework• Develops guidelines for the implementation of performance budgeting• Develops templates for collecting performance information• Initiates updates to data requirements• Analyses what spending entities produce• Organises capacity-building activities	<ul style="list-style-type: none">• Co-ordinates with the budget office in setting up programme, performance indicators, and targets• Ensures the operational execution of performance budgeting (incl, monitoring, reporting)• Sets indicators that reflect the priorities of the government• High-level sign-off of performance information.	<ul style="list-style-type: none">• Analyses the budget• Uses performance information to debate resource allocation• Uses performance information to hold spending entities to account• Has discussions with stakeholders to improve the information provided in the budget	<ul style="list-style-type: none">• Assesses the structure and soundness of the overall performance framework• Assesses whether reported information, regarding performance and results, is accurate and substantiated• Compliance with legal requirements regarding performance information and budgeting



The OECD Performance Budgeting Framework

- The OECD Performance Budgeting Framework provides building blocks to guide countries in **developing and strengthening** their approach to performance budgeting.
- It consists of four building blocks:
 - Tools and methods for developing good quality performance information
 - Accountability and transparency
 - An enabling environment
 - Use of performance information to inform decisions around the budget





Building block 1: Tools and methods for developing good quality performance information

> Sequencing performance information

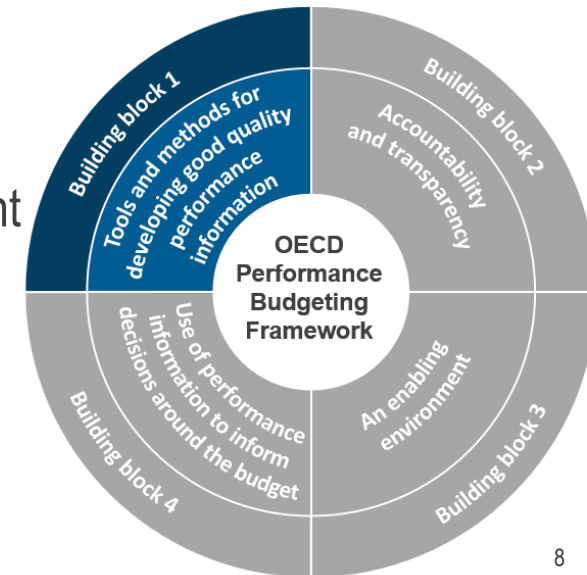
- > Performance information should follow a clear structure and be benchmarked towards high-level objectives that reflect the priorities of the government

> Criteria for developing performance information

- > Having clear and specific criteria for performance information helps promote outcome orientation and ensure the usefulness of performance information

> Quality assurance of performance information

- > Important to have some quality assurance of the information produced by providing guidance and quality checks to ensure that information is of good quality and consistent across entities





Building block 2: Accountability and transparency

> Accountability mechanisms

- > Spending entities should set ambitious performance targets and be ready to discuss and explain if these targets are not achieved

> Clear roles and responsibilities

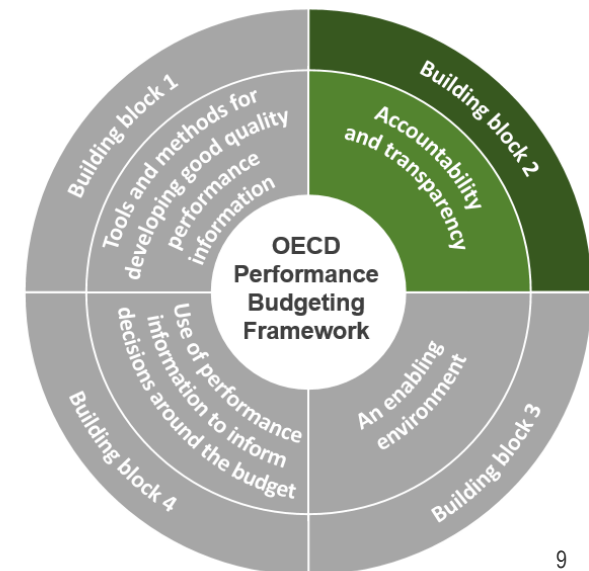
- > Clear roles and responsibilities should be established, where budget offices play a key role in coordinating performance budgeting and providing guidance while spending entities are responsible for the information they develop

> Ensuring transparency

- > Clear guidelines and templates should be developed and any changes to performance information or overall framework should be communicated

> Access to performance information

- > Performance information should be made accessible and interactive dashboards should be used



Building block 3: An enabling environment

> Budget structured around programmes

- > Programme structure facilitates performance budgeting where performance objectives are set at the programme level under clear responsibility

> Centrally issued guidelines and templates

- > Guidelines and standardized templates ensure that all divisions follow the same principles

> Capacity-building efforts

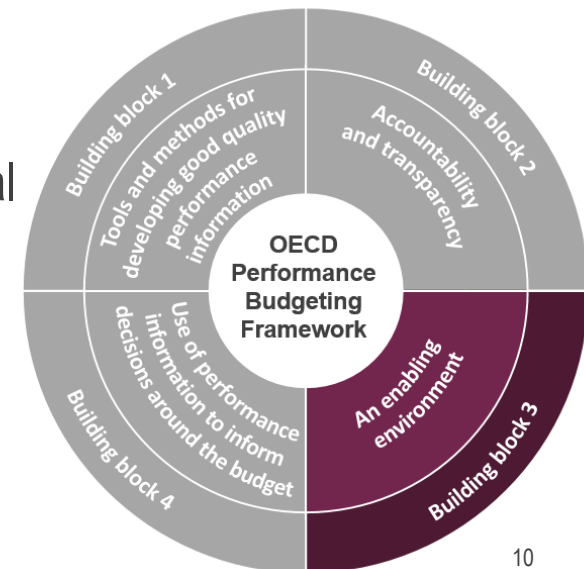
- > Capacity building should be organized regularly as part of creating a new mind-set and a performance culture

> Supportive IT environment

- > A well-designed IT systems can be a central support tool and should integrate both financial and performance information to allow for tracking over time

> Incentive mechanisms

- > Incentive mechanisms should be created to encourage divisions to adapt performance budgeting, set ambitious goals and be accountable for the results achieved





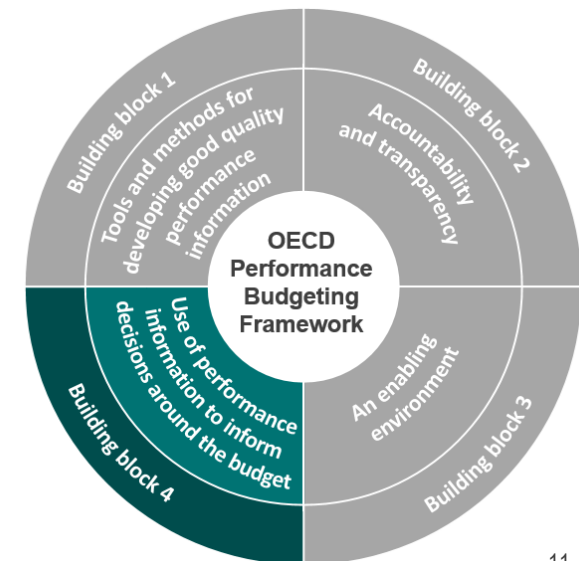
Building block 4: Use of performance information to inform decisions around the budget

> Engaging with parliament

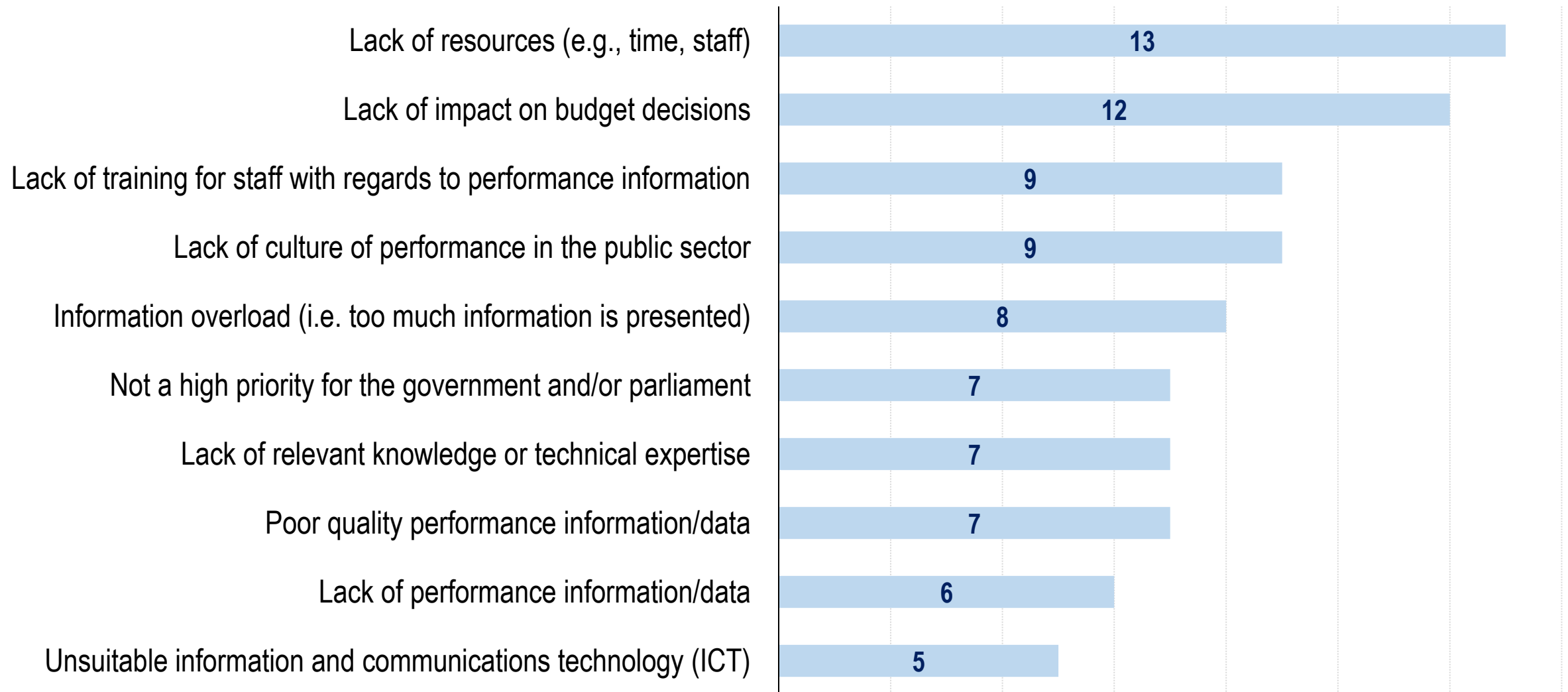
- > Parliament engagement with performance budgeting is crucial, given their fundamental role in the budgetary process and budgetary oversight
- > Effective engagement with parliament, parliamentary budget offices and subject committees can improve the impact of performance budgeting
- > Sectoral committees play important role in scrutinizing performance information

> Presenting relevant information in budget documentation

- > Performance information included in the budget should be presented in a clear and understandable manner alongside financial information
- > Different levels of details should be presented to different stakeholders, where only relevant information is presented in the budget and more detailed performance information is kept for internal purposes and provided upon request



OECD countries face similar challenges





Factors enabling the successful implementation of performance budgeting

- > Well defined programme structure reflecting the key objectives of the government
- > Good quality and relevant performance information
- > Clear presentation of performance information in budget documentation and other relevant reports
- > Strong coordination and leadership from the Ministry of Finance
- > Accountability and ownership in line ministries
- > Good reporting practices and strong oversight



Pitfalls to avoid when implementing performance budgeting

- > Overflow of information
- > Isolated initiative
- > Box-ticking exercise
- > Too frequent changes in performance information
- > Not anchoring performance data to the priorities of the government
- > Lack of political commitment
- > Lack of monitoring and reporting mechanisms

Thank you

[https://one.oecd.org/document/GOV/SBO\(2023\)1/REV1/en/pdf](https://one.oecd.org/document/GOV/SBO(2023)1/REV1/en/pdf)

