Performance-informed decision-making:
INSIGHTS AND PLANS FROM PEMPAL COUNTRIES

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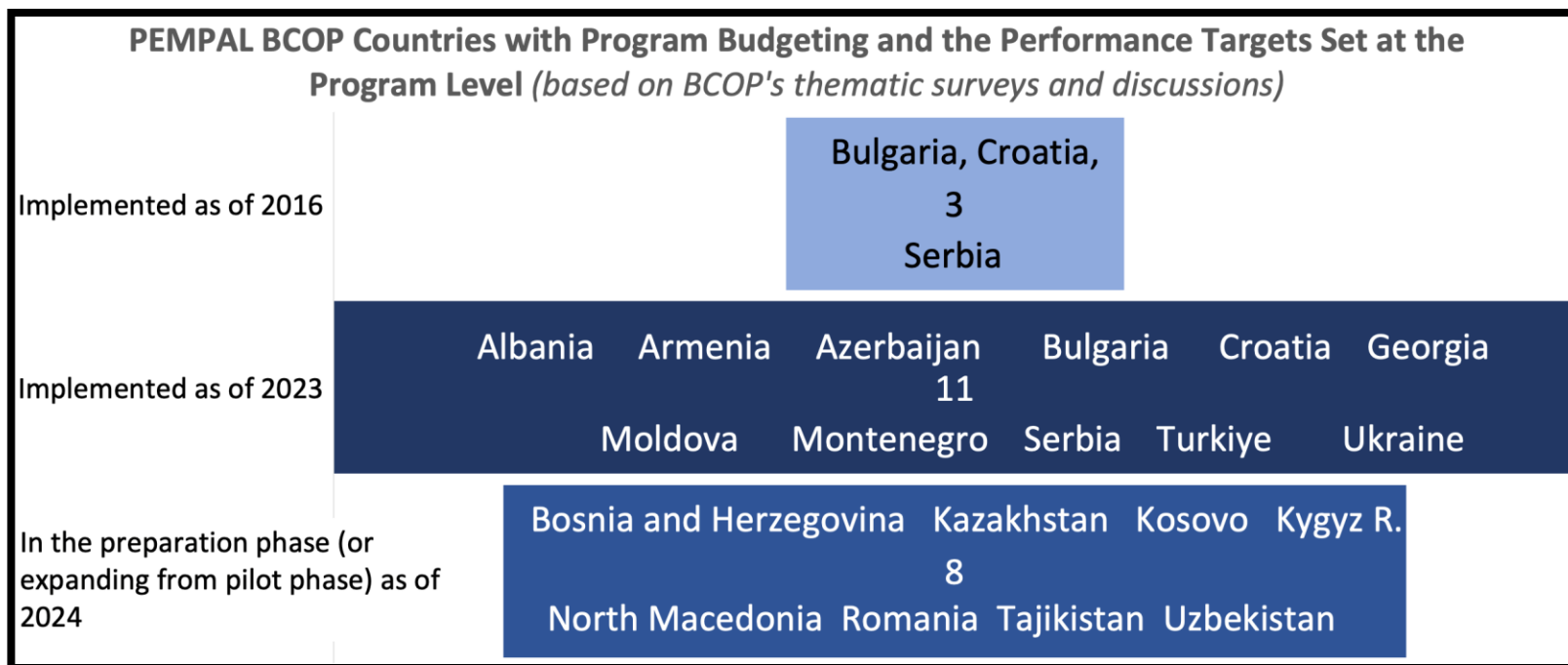
Presentation Overview

I. **Use of performance information (PI) in PEMPAL countries' program and performance budgeting (PPB) and challenges**

II. **Key insights for strong PI that is usable in decision-making:** PI as a bridge for evidence-based budget and policy decision-making

III. **Enablers and accompanying tools**

IV. **The upcoming PEMPAL work on PI**

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Use of performance information in PEMPAL countries (1)

➢ **Over the last decade, all PEMPAL countries have introduced or strengthened their PPB systems.**

➢ **Despite significant progress, there is still space for further convergence to best global practices**

- **Around 55% of PEMPAL countries have performance aspects to budgeting** compared to 85% of OECD countries. The remaining PEMPAL countries are in the preparation phase or expanding from the piloting stage.

- **For 42% of PEMPAL countries full PPB is compulsory for all expenditures**, compared to 85% of OECD countries.

PEMPAL BCOP Countries with Program Budgeting and the Performance Targets Set at the Program Level *(based on BCOP's thematic surveys and discussions)*

Implemented as of 2016	Bulgaria, Croatia, 3 Serbia
Implemented as of 2023	Albania Armenia Azerbaijan Bulgaria Croatia Georgia 11 Moldova Montenegro Serbia Turkiye Ukraine
In the preparation phase (or expanding from pilot phase) as of 2024	Bosnia and Herzegovina Kazakhstan Kosovo Kygyz R. 8 North Macedonia Romania Tajikistan Uzbekistan

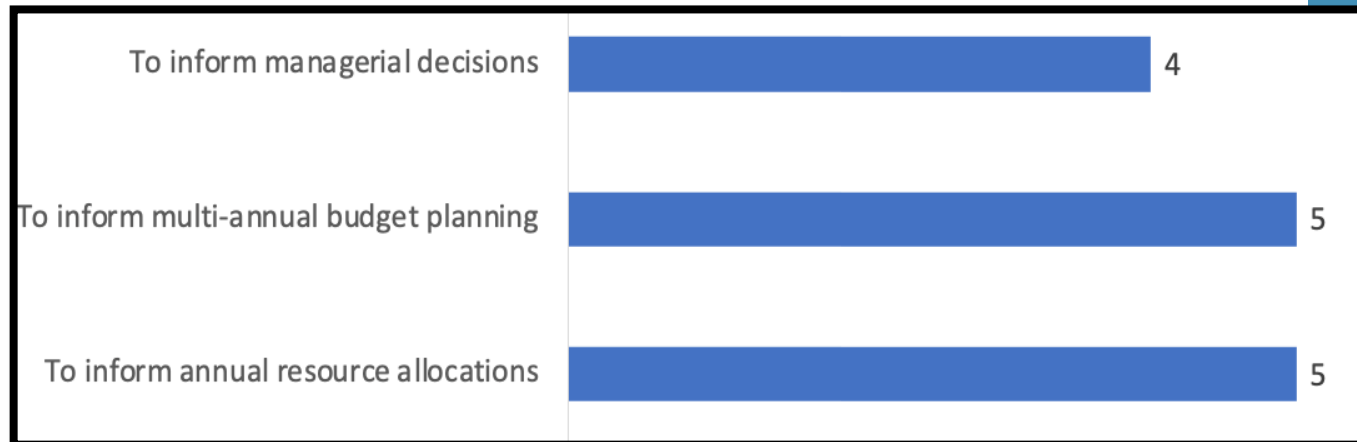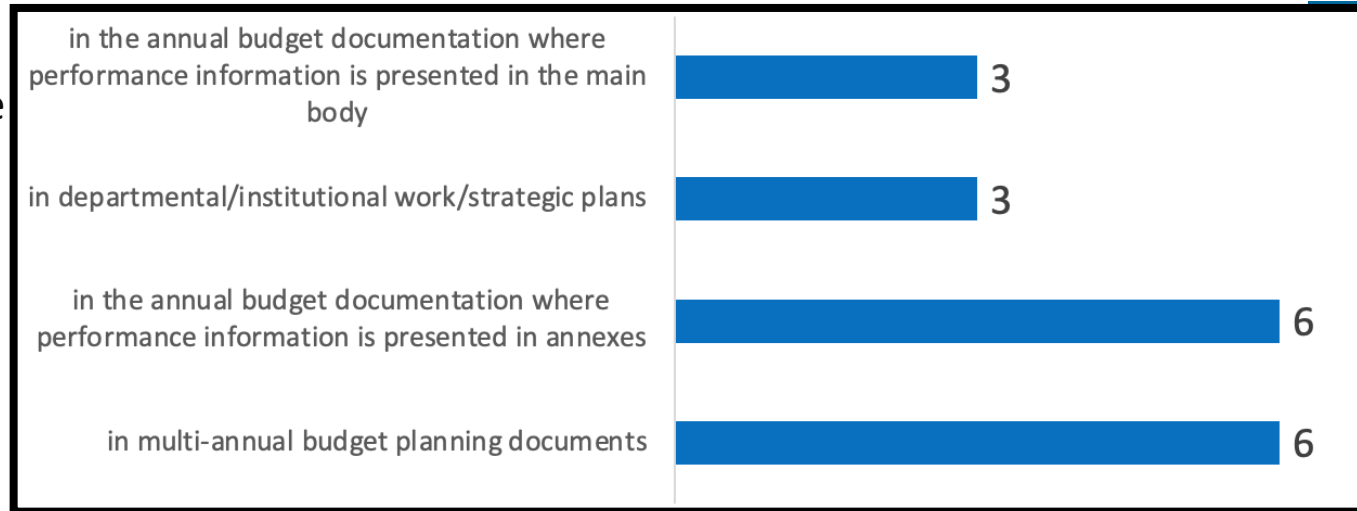# Use of performance information in PEMPAL countries (2)

TOP PPB CHALLENGES IN PEMPAL COUNTRIES	TOP PPB CHALLENGES IN OECD COUNTRIES
Lack of resources (e.g., time, staff)	Lack of impact on budget decisions
Lack of impact on budget decisions	Lack of training for staff with regards to performance information
Poor quality performance information/data	Lack of culture of performance in the public sector
Information overload (i.e. too much information is presented)	Information overload (i.e. too much information is presented)
Lack of framework to measure the impact of performance budgeting	Not a high priority for the government and/or parliament
Lack of training for staff with regards to performance information	Lack of relevant knowledge or technical expertise
Lack of culture of performance in the public sector	Poor quality performance information/data
Unsuitable information and communications technology	Lack of performance information/data

➤ **PPB challenges are similar to those in the OECD countries and are mostly related to PI**, noting that the challenges associated with the earlier stages of PPB implementation are perceived as higher by the PEMPAL countries.

➤ Compared to 2016 and 2019, PEMPAL countries are **more aware of challenges related to the impact on budget decisions and the quality of PI.**

Use of performance information in PEMPAL countries (3)

- **PI in PEMPAL countries is mostly presented in the budget annex.** The top suggestion on how to improve usage by both OECD and PEMPAL countries is to improve the way PI is presented.

- **For most of the PEMPAL countries, performance objectives are set at the program level** (in line with good practices, as in 75% of OECD countries). For some, objectives are also set at the multiple additional sub-levels.

- **Most PEMPAL countries still have quite fragmented program structure,** which subsequently fragments PI

- **The number of performance indicators in PBB in PEMPAL countries varies**, from 200 to 5000.

- **PI has started being used to inform resource allocation** in 5 PEMPAL countries.

in the annual budget documentation where performance information is presented in the main body	3
in departmental/institutional work/strategic plans	3
in the annual budget documentation where performance information is presented in annexes	6
in multi-annual budget planning documents	6

To inform managerial decisions	4
To inform multi-annual budget planning	5
To inform annual resource allocations	5

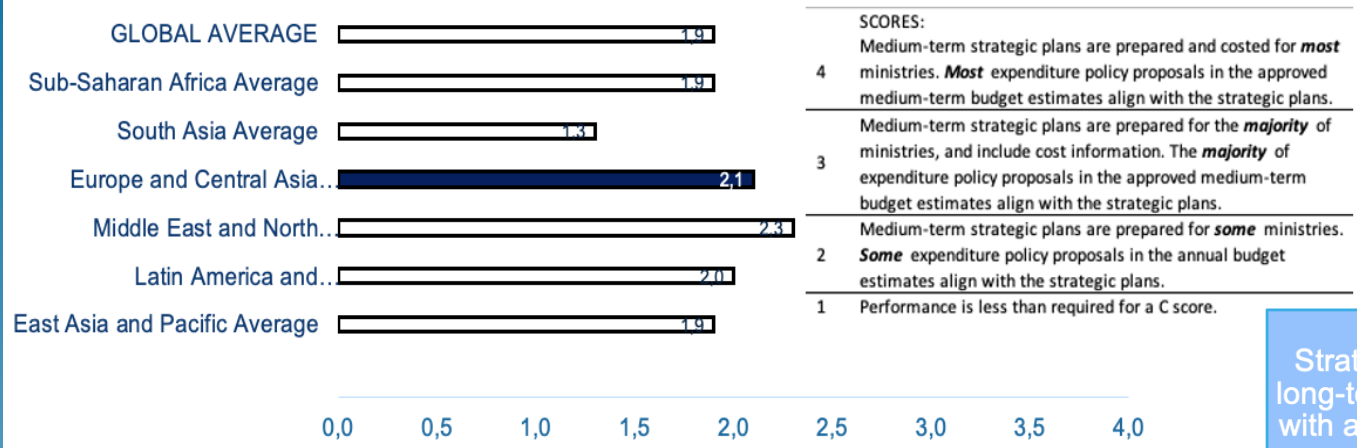# Key insights for strong PI that is usable in decision (1)

Most PEMPAL countries have been undertaking or planning measures/reforms that are related to PPB, associated largely with the PI:

1. **Decreasing the fragmentation and volume of PI** and the associated program structure.

2. **Improving the quality and relevance of PI**, as indicators are generally insufficiently oriented towards outcomes for citizens/service users and without clear standards, output-to-outcome throughline/causal chain, and mapping against the institutional framework. This is essential to properly capture how line ministries' work contributes to high outcomes.

3. **Using appropriate cross-cutting performance indicators.**

4. **Linking budget programs and PI used in PPB to the whole-of-government, sectoral, and institutional strategic documents,** both in the planning and reporting stages.

Key insights for strong PI that is usable in decision (2)

➢ **The link between strategic planning and budgeting is among the weakest PFM elements globally;** PI is a natural bridge between them and a prerequisite for evidence-based budget and policy decision-making.

Regional Average Score for Most Recent Assessments of PEFA Indicator on *Alignment of Strategic Plans and Mid-term Budgets*

	Score
GLOBAL AVERAGE	1,9
Sub-Saharan Africa Average	1,9
South Asia Average	1,3
Europe and Central Asia...	2,1
Middle East and North...	2,3
Latin America and...	2,0
East Asia and Pacific Average	1,9

SCORES:

4 — Medium-term strategic plans are prepared and costed for *most* ministries. *Most* expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.

3 — Medium-term strategic plans are prepared for the *majority* of ministries, and include cost information. The *majority* of expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.

2 — Medium-term strategic plans are prepared for *some* ministries. *Some* expenditure policy proposals in the annual budget estimates align with the strategic plans.

1 — Performance is less than required for a C score.

Strategic planning is long-term, aspirational, with a narrow focus on change.	Strategic planning is often unconstrained by resource limitations, or these are secondary.	Strategic planning asks what do we need to do to achieve our goals?
Budgeting is holistic, covering all of government spending every year	Budgeting is focused on the short term, with the main focus on the current year.	Budgeting asks what's the most we can achieve with limited available resources?

➢ **Strategic planning and budgeting by their natures have contrasting perspectives that must be bridged**.

Recently published PEMPAL BCOP knowledge product lays out a **conceptual framework for aligning strategic and budgeting processes.**
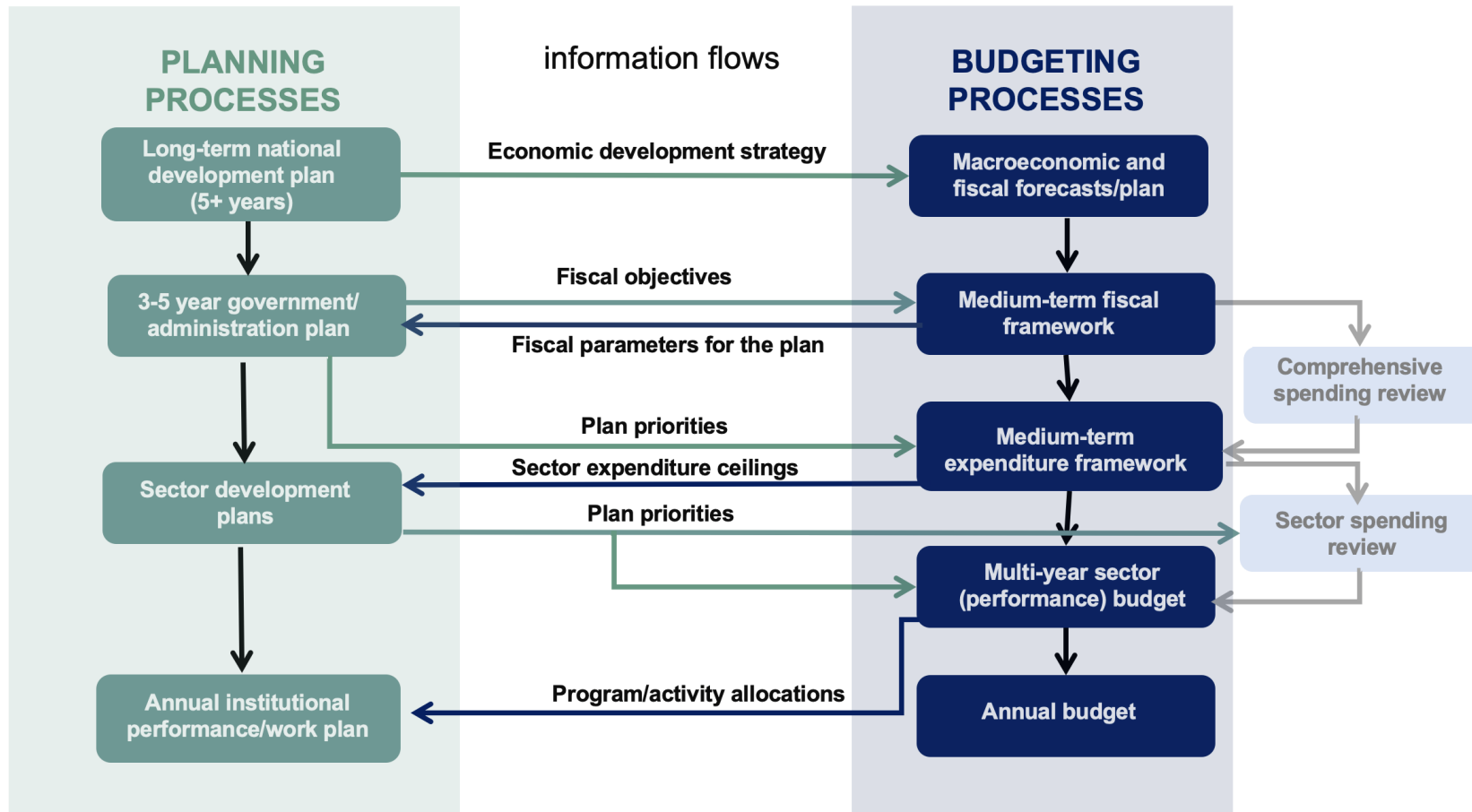
Key insights for strong PI that is usable in decision making (4)

i. **need to customize** to each country's specificities, capacities, needs, and administrative culture; institutional arrangements for strategic planning vary greatly.

ii. **simplification and streamlining** of budget program structure and thus PI used for budgeting

iii. **adequate and continuous investment in human resources and data infrastructure;** the system is as strong as its weakest link; countries may need to work on the quality of individual processes and data quality, information systems, and skills of government officials

iv. **importance of strong involvement and ownership of the line ministries**

v. the necessity of a **strong targeted link with strategic planning –** a pyramid approach for both the objectives (i.e., expected results) and indicators (and with a clear output-to-outcome throughline, as previously mentioned)

vi. program structures and PI should **align with the administrative responsibilities and service delivery functions**

vii. including a **mix of performance measures** to capture the multi-dimensional nature of performance in the public sector, while focusing on citizens or end-users of the services/products produced by each institution

viii. keeping the end-objective in mind – to **foster of a performance and learning-oriented public sector management learning cantered around the end-user/citizen**, not rewards/penalties for performance indicator values

Enablers and accompanying tools (1)

➤ **Spending review and performance and impact evaluation are valuable tools;** they can assess the policy implementation and design; the extent to which expected results are achieved; and the theory of change/causal chain. These tools can use PI, *inter alia,* and they can also provide recommendations for adjusting/improving them going forward

➤ **There are closely related reforms that support more effective use of evidence in government; these should ideally be coordinated with financial management reforms:**

   ➤ **Data quality.** Quality standards, relevance, timeliness, accuracy, etc.

   ➤ **Digitalization.** Development of FMIS and other IT systems that capture and process performance information.

   ➤ **HRM -** Skills and training in effective use of data. Performance agreements and individual performance management.

Enablers and accompanying tools (2)

## ☐ Data quality issues in PI

Clear program objectives. Effective performance measurement depends on programs having clear objectives. Sometimes programs have broad or vague objectives, making it difficult to identify good indicators.

Consistency and completeness. To be usable data sets must be complete and consistent. Since governments often have to rely on data from multiple sources there can often be inconsistencies or gaps that render data unusable.

Relevance. To be useful performance information needs to be directly relevant to the program objective. The issue here is that the information that is most readily available (i.e. quantity) often does not measure what is important (e.g. quality).
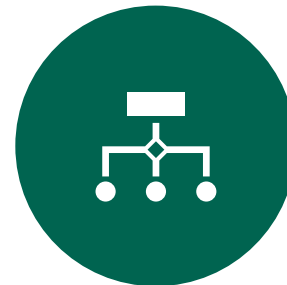
Attribution. Choosing the right PIs is often challenging. Pis need to be pitched at a level where there is a clear link between government inputs and actions and observed outputs or outcomes. Outcome indicators that are influenced by factors beyond a government's control will have limited use.

Upcoming PEMPAL work related to PI

- ☐ **After the recently published BCOP KP on linking strategic planning and budgeting, work is now underway to develop a KP dedicated to PI,** which builds on the previous KP. It will provide the concepts, context, and institutional foundations and roles related to the usage of PI in budget and policy decision-making, as well as processes and enablers. Numerous country examples will be included (including several OECD countries).

- ☐ **Starting in FY26, with the expected new PEMPAL Strategy 2026-2030, PEMPAL's work on budgeting topics will be upgraded** and further focused on knowledge development and peer-learning exchange in the more advanced and nuanced budgeting reforms.

- ☐ **PI will be examined under the new PEMPAL BCOP WG on Budgeting for Development.** This WG will examine capital budgeting as a new area, and upgrade the work in areas of linking strategic planning and budgeting and performance budgeting modernization, including enabling evidence-based and citizen-centric decision-making; spending reviews; mid-term budgeting; green budgeting/climate change budgeting approaches; and integrating budget tagging into program budgeting, such as green, gender, SDG budgeting, etc.