

INTRODUCING A PERFORMANCE ORIENTATION TO BUDGET PLANNING

LESSONS FROM INTERNATIONAL EXPERIENCE



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TOPICS

- Why introduce performance based budget plans?
- Evolution of practices, case studies
- Main challenges
- Some lessons learned

Q.1: WHERE ARE YOU FROM?

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Q.2: DOES YOUR COUNTRY USE PERFORMANCE BASED BUDGET METHODS?

- ☐ Not at all
- ☐ Programs and performance indicators
- ☐ Performance reports for internal use
- ☐ Performance reports published
- ☐ Performance included in budget plans



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Q.3: WHAT WERE THE MAIN REASONS FOR ADOPTING PERFORMANCE BASED BUDGETING?

(CHOOSE A MAXIMUM OF 2 OPTIONS)

- ☐ Improve accountability
- ☐ Improve transparency
- ☐ Create a performance culture
- ☐ Allow parliament scrutiny of results
- ☐ Support strategic planning
- ☐ Set service delivery targets
- ☐ Other

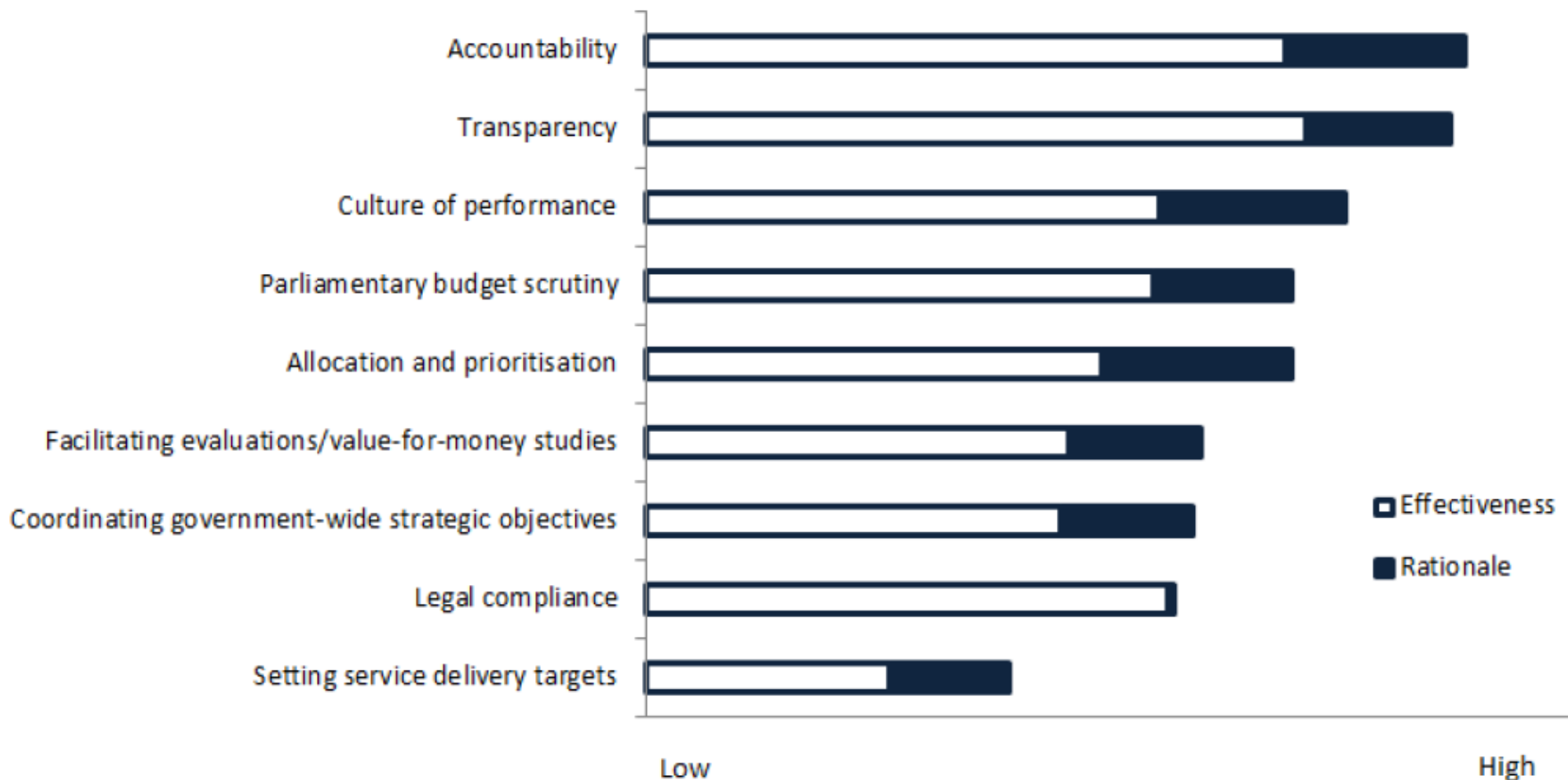


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WHY DID COUNTRIES ADOPT PBB?



Source: OECD survey

3 COUNTRY CASE STUDIES: Australia, Netherlands, UK

Why did they adopt performance budgeting?

- Public financial crisis
- Complaints from parliament
- Change of government
- Driven by strong Finance ministry
- Part of a broader PFM reform strategy



3 country examples of performance budgets

Country	Year	Main Reasons
Australia	1984	<ul style="list-style-type: none">• Change of government• Financial crisis• Response to Parliament complaints• Weak inflexible budget process• Driven by strong Finance ministry• Part of the FM Improvement Program
Netherlands	1999	<ul style="list-style-type: none">• Financial crisis• Weak budget process• Parliament initiative• Driven by strong Finance ministry• Part of Accounting and Budget reform initiative
UK	1998	<ul style="list-style-type: none">• Change of government• Financial crisis• Government initiative• Part of integrated budget reform initiative



COUNTRY CASE STUDIES – SYSTEM OVERHAUL

Why did they change?

- Lessons from initial implementation
- Parliament concerns about quality and usefulness of information
 - Volume, relevance, point of focus (i.e. activities, outputs, outcomes)
 - Economy, efficiency and effectiveness
- Change of government or philosophy
- Part of a new, wider reform program

REASONS FOR MAJOR CHANGES

Country	Year of major change	Main Reasons
Australia	1998	<ul style="list-style-type: none"> • Change of government • Application of agency theory • Parliament complaints about information quality • Driven by strong Finance ministry • Part of accrual budget initiative
Netherlands	2010	<ul style="list-style-type: none"> • Part of new coalition agreement • Financial crisis • Responding to Parliament wishes • Driven by strong Finance ministry • Part of Accountable Budget reform
UK	2010	<ul style="list-style-type: none"> • Change of government • Financial crisis • Government initiative • Part of integrated budget reform initiative

COUNTRY CASE STUDIES – SYSTEM OVERHAUL

What did they change?

➤ **General:**

- De-linking performance results and budgets (except in a few areas)
- Emphasis on balanced assessment not specific targets (evaluation/review)
- Recognizing different audiences (and uses) for performance information

➤ **Australia:**

- Alignment of performance with strategy rather than budget

➤ **Netherlands:**

- More detail on inputs and process, targeted evaluation

➤ **United Kingdom:**

- Focus on implementation and value for money, less on specific results

Q.4: WHAT ARE THE MAIN CHALLENGES FOR PERFORMANCE BASED BUDGETING?

(CHOOSE A MAXIMUM OF 3 OPTIONS)



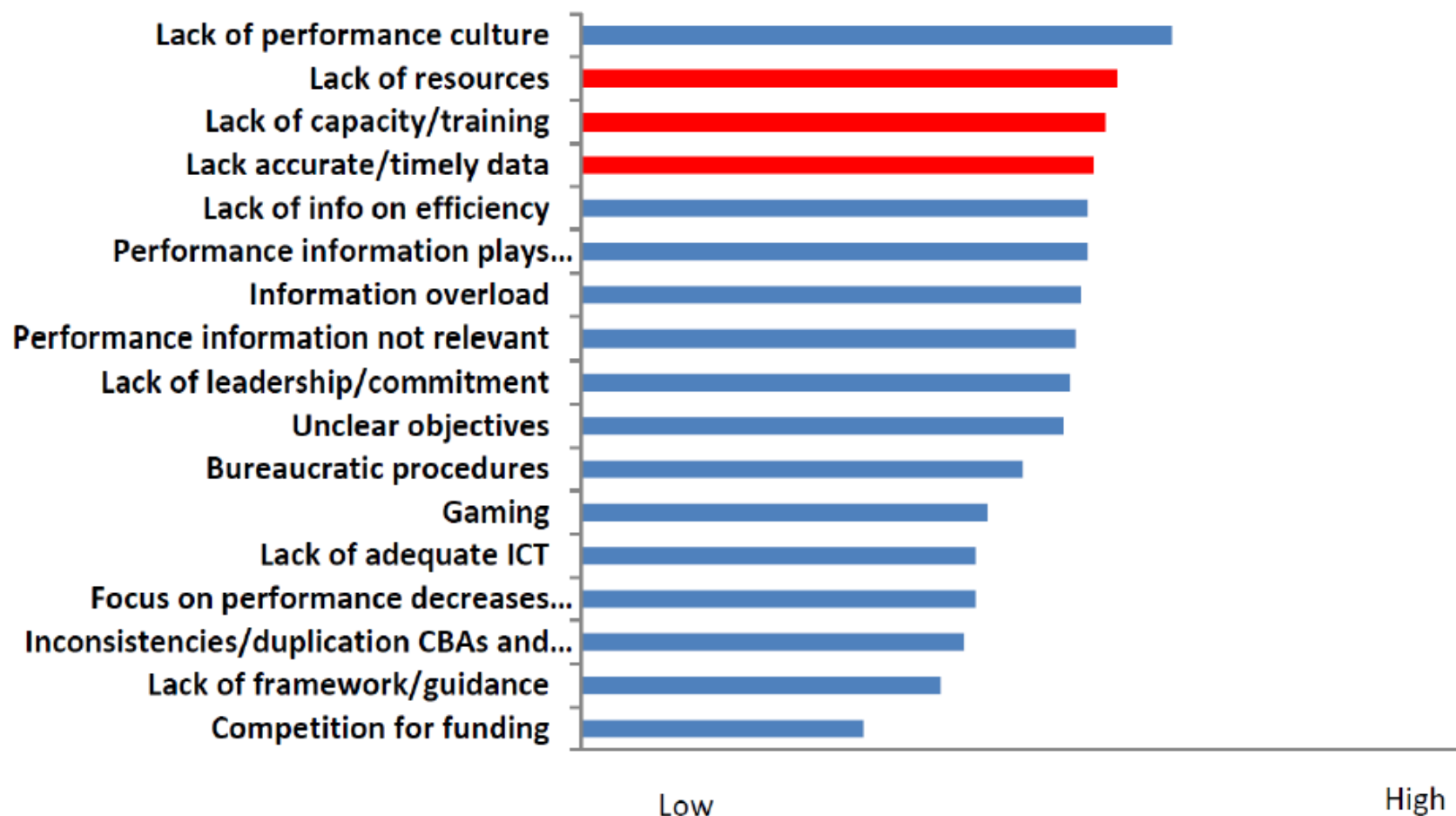
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REASONS PBB HAS NOT MET EXPECTATIONS



Source: OECD survey

SOME LESSONS FROM INTERNATIONAL PRACTICE

1. Performance culture and reinforcing incentives are essential

- Essential for management and leadership prioritize performance
- Politics and performance make a volatile mixture
- Alignment of accountability with responsibility
- Link to budgets can be positive, negative or neutral
- Results must always lead to action

2. Skills, data and systems must be adequate

- Don't underestimate cost, skills and time required to obtain and manage data. Cannot be done as an add-on to existing jobs.
- Data quality and availability have been perennial problems for all

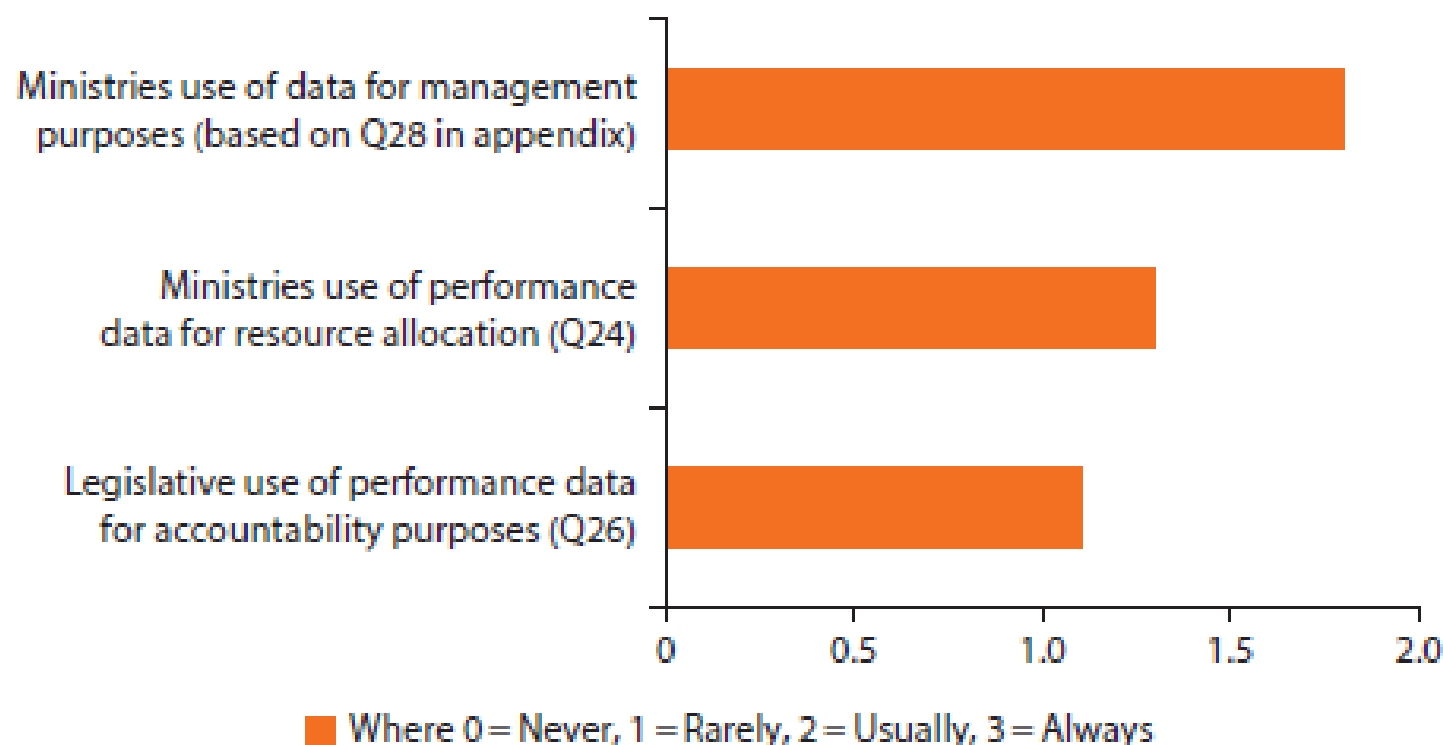
3. Keep it simple and focused

- Systems must be manageable and cost-effective
- Be clear about who are users, what data they use, and what they need

4. Refinement and change are important

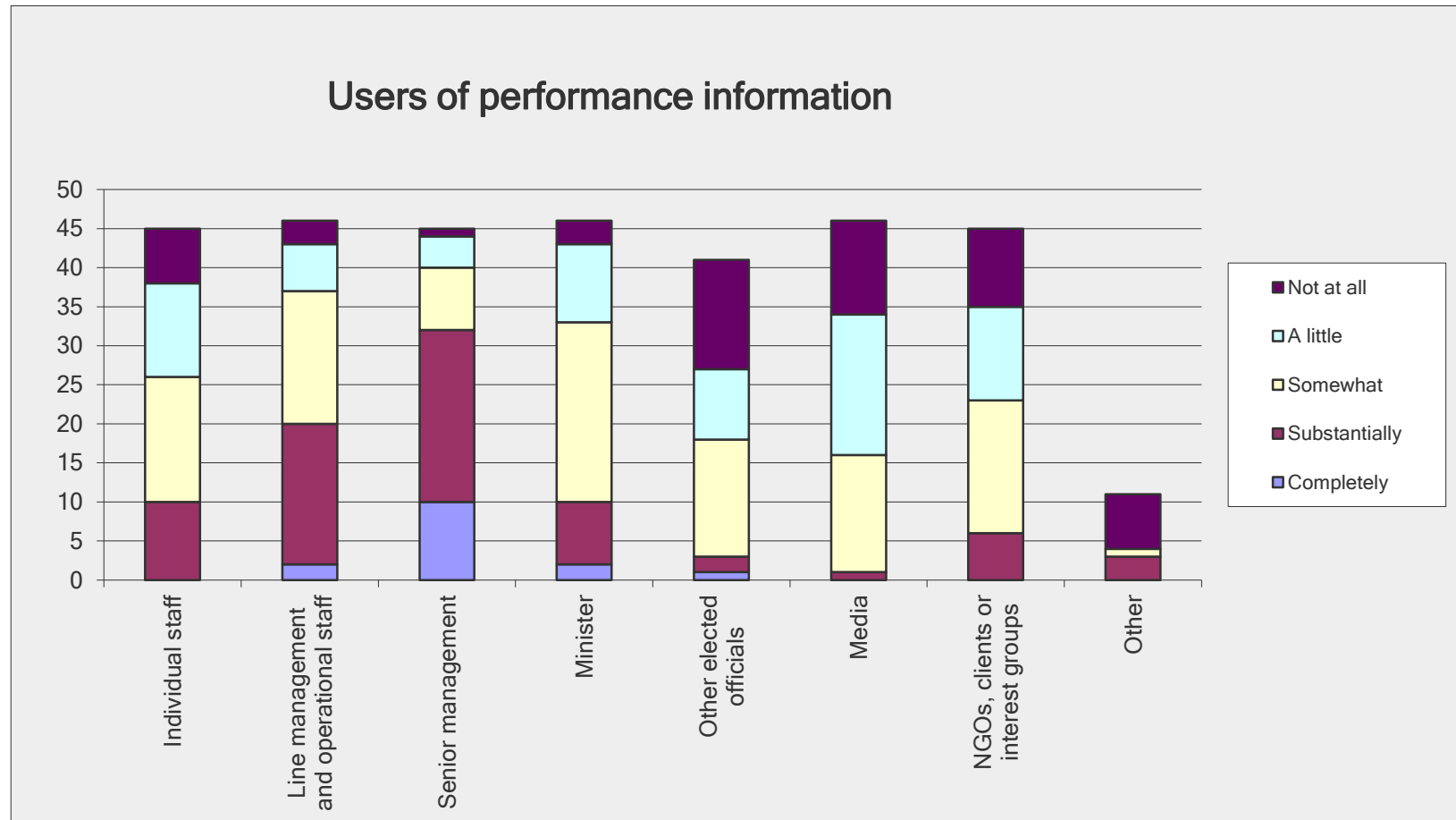
WHO USES PERFORMANCE DATA?

Figure 1.1 Use of Performance Data for Management, Budgeting, and Accountability



INTERNAL MANAGEMENT IS THE MAJOR USER OF PERFORMANCE INFORMATION.

MINISTERS AND OTHER ELECTED OFFICIALS ARE IMPORTANT USERS FOR SOME AGENCIES.



Examples of publicly available performance information – Education

1. Australia

Outcomes

Achievement

Raise standards of learning and development achieved by Victorians using education, development and child health services.

Key progress measures

Major outputs/deliverables ^(a)	Unit of measure	2008	2009	2010	2011	2012
Early childhood development						
Children developmentally 'on track' on the AEDI language and cognitive skills domains						
Proportion of children developmentally 'on track' on the AEDI ¹ language and cognitive skills domains	per cent	n/a	84.0	n/a	n/a	84.0
School education						
Students meeting the expected standard in national and international literacy and numeracy assessments ^(b)						
Year 3 NAPLAN Proportion of students at or above the National Minimum Standard – Literacy	per cent	95.2	95.2	95.4	95.3	95.2

Engagement

Increase the number of Victorians actively participating in education, development and child health services.

Key progress measures

Major outputs/deliverables	Unit of measure	2008	2009	2010	2011	2012
Early childhood development						
Participation in a kindergarten service in the year before school						
Kindergarten participation rate for first year enrolments	per cent	92.4	92.7	95.1	94.6	97.9
Participation in Maternal and Child Health Services^(a)						
Home consultation	per cent	98.9	98.9	99.8	100	100
12 months	per cent	81.4	81.5	80.3	81.9	80.7
3.5 years	per cent	60.1	58.3	63.1	62.8	64.4
School education						
Students with acceptable levels of school attendance^(b)						
Average rate of student attendance at Year 5	per cent	93	93	93	93	93

Wellbeing

Increase the contribution education, development and child health services make to good health and quality of life of Victorians, particularly children and young people.

Key progress measures

Major outputs/deliverables ^(a)	Unit of measure	2008	2009	2010	2011	2012
Early childhood development						
Children developmentally 'on track' on the AEDI social competence and emotional maturity domains						
Children developmentally 'on track' on the AEDI ¹ social competence domain	per cent	n/a	77.6	n/a	n/a	78.6
Children developmentally 'on track' on the AEDI ¹ emotional maturity domain	per cent	n/a	77.3	n/a	n/a	79.3
School education						
Students feeling connected to their school^{(b)(c)(2)}						
Proportion of Year 5–6 students who agree or strongly agree that they feel connected to their school	per cent	56.7	60.0	62.9	64.9	66.1

Outputs

Early childhood development

The early childhood development output group provides funding for a range of services that support children in the early years, including kindergarten and children's services, maternal and child health, and early intervention services for children with a disability. These outputs make a significant contribution to the Government's key outcomes in early childhood services. This group and its outputs contribute towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Children funded to participate in kindergarten	number	68,750	72,520	This performance measure includes second-year participants.
Kindergarten participation rate	per cent	93.5	97.9	This performance measure relates to the calendar year. This performance measure excludes second-year participants.
Maternal and child health clients with children aged 0 to 1 year receiving enhanced maternal and child health services	per cent	10	16.9	The Actual is higher than the Target due to some municipal councils providing services above the target cohort, and increases in the birth rates in some local government areas. This performance measure refers to the previous financial year.
Number of Early Childhood Intervention Service places and packages funded annually	number	10,325	10,325	This performance measure refers to both Early Childhood Intervention Service (ECIS) Places and Flexible Support

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Examples of publicly available performance information – Education

2. United Kingdom

What we do

We are responsible for education and children's services in England. We work to achieve a highly educated society in which opportunity is equal for children and young people, no matter what their background or family circumstances.

DfE is a ministerial department, supported by [9 agencies and public bodies](#).

[Read more about what we do](#)

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We work on these topics

Schools

By giving parents more choice and schools greater freedoms, the government will create a better and more diverse school system that will give every pupil the necessary skills to lead a productive, fulfilled life. [Read more](#)

Children and young people

All children should grow up in a supportive and stable environment. The government works to protect children and support the professionals who care for them and their families. [Read more](#)

Our policies

Getting more people playing sport

We're helping people play sport from an early age and encouraging them to keep playing sport throughout their lives.

Improving the quality of teaching and leadership

How the government is giving schools a greater role in training and developing teachers and leaders and reforming their pay and performance.

Improving the adoption system and services for looked-after children

How the government is reducing the time it takes to adopt and improving the quality of care for all looked-after children.

Policy

Getting more people playing sport

Organisations: Department for Culture, Media & Sport and Department for Education
Page history: Updated 10 January 2014, see all updates
Topic: Sports and leisure
Ministers: The Rt Hon Nicky Morgan MP, + 2 others

Policy

- Contents
 - Issue
 - Actions
 - Background
 - Who we're working with

Detail

Latest

Issue

Playing sport helps to keep people healthy and is good for communities. Playing sport at school or in a local club is also the first step to [competition at the highest level](#), which helps improve our reputation as a sporting nation, and contributes to economic growth.

But when people leave school they often stop playing sports, which means people can't fulfil their sporting potential, and can lead to a less healthy lifestyle. We want to get more people playing sport safely from a young age, and help them keep playing sport throughout their life, no matter what their economic or social background.

Actions

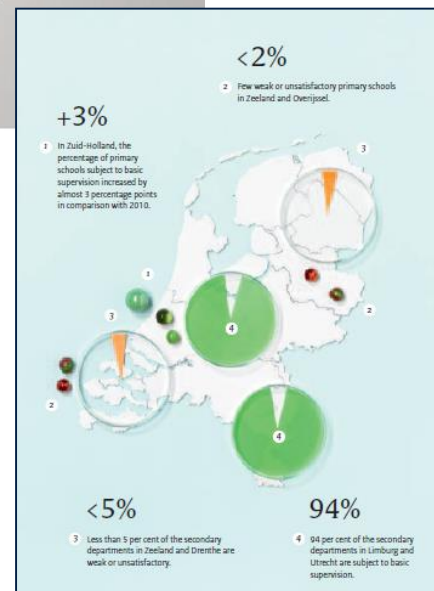
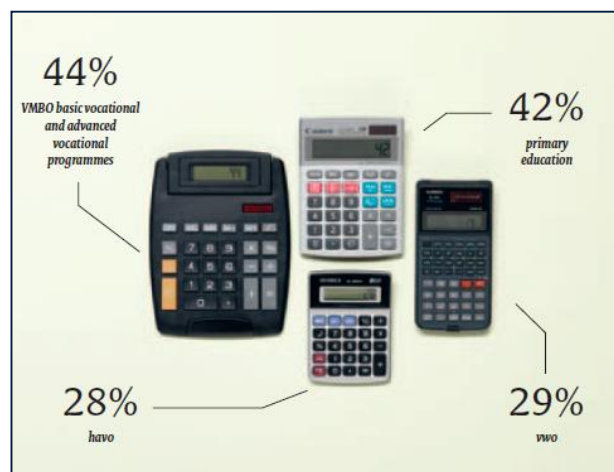
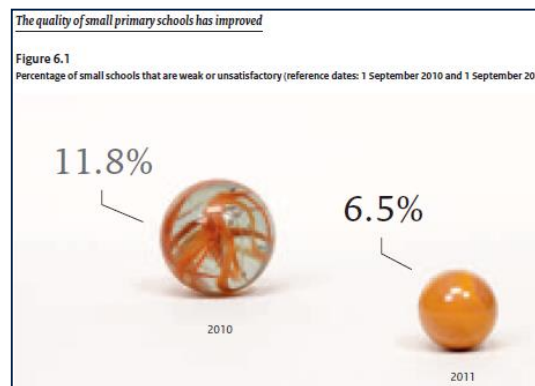
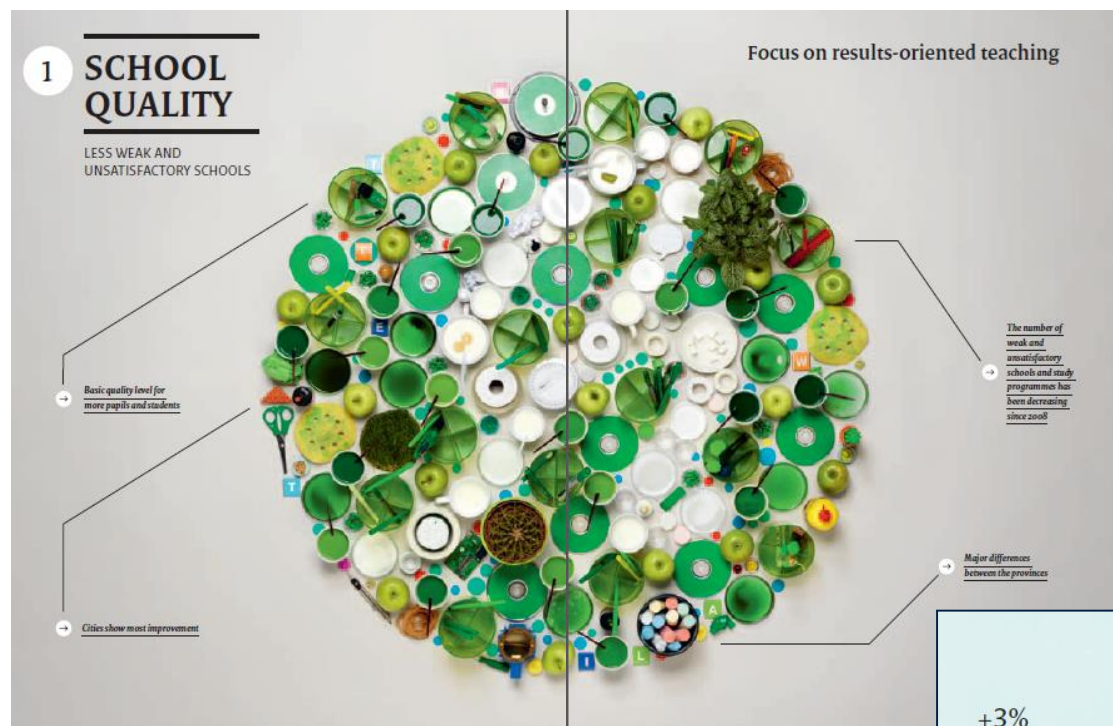
To make sure as many people as possible are playing sport, the government is:

- [funding Sport England](#), to help community sports grow, including helping 14- to 25-year-olds to keep playing sport throughout their lives
- [expanding the School Games programme](#) to increase opportunities for more young people to play competitive sport
- [spending over £450 million on improving physical education \(PE\) and sport in primary schools](#) over the 3 academic years from 2013 to 2014 to 2015 to 2016



Examples of publicly available performance information – Education

3. Netherlands



Q.5: WHAT IS MOST IMPORTANT FOR EFFECTIVE PERFORMANCE BASED BUDGETING?

(CHOOSE A MAXIMUM OF 2 OPTIONS)

- ☐ Favorable operating environment, resources
- ☐ Technical capability and data quality
- ☐ Supportive institutions
- ☐ Effective leadership and management
- ☐ Staff motivation and incentives
- ☐ Performance culture
- ☐ Other



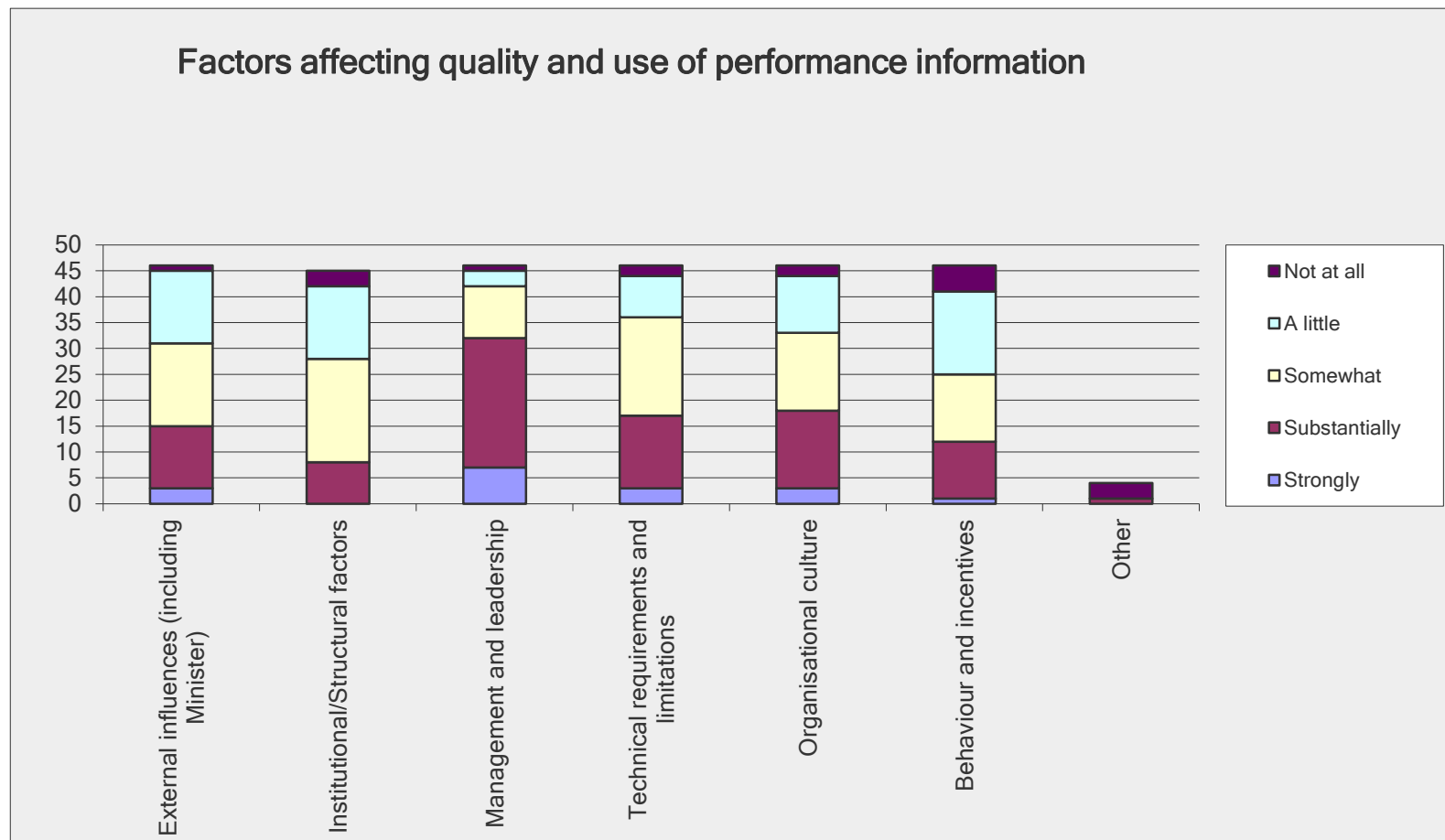
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MANAGEMENT AND LEADERSHIP IS THE DOMINANT INFLUENCE ON THE QUALITY AND USE OF PERFORMANCE INFORMATION ACROSS AGENCIES.

OTHER INFLUENCES VARY ACROSS AGENCIES.

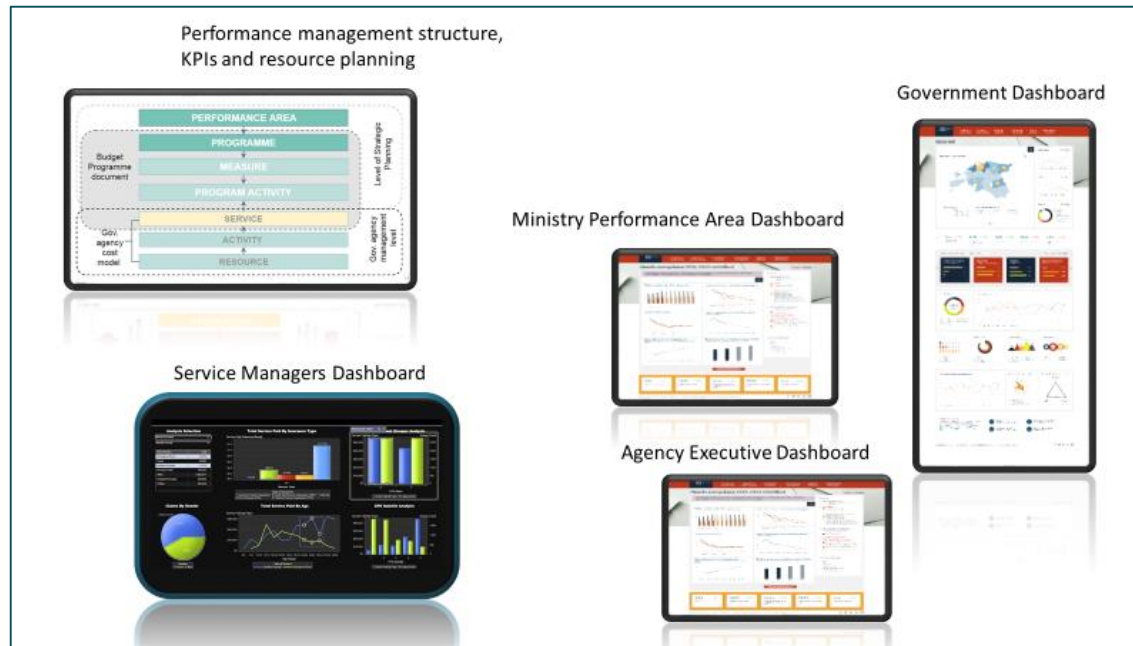


Source: Hawke, L., unpublished PhD research, Australia, 2012

Future directions

- Despite challenges, countries continue to adopt and adapt.
- Diversity of experiences offer extensive knowledge on what works.
- Improvements and innovations are expanding the potential for PBB.

Estonia's Performance Dashboards





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