

Performance budgeting

Governments are increasingly incorporating performance information in the budgeting and governance processes as a means of achieving better results, promoting greater value for money, and increasing the transparency of spending decisions. Good performance information can contribute to better decisions regarding the use of resources and how to run particular programmes. Greater transparency of performance and resource allocation also increases the accountability of government agencies for their expenditures.

Although performance budgeting practices are widely used in OECD member countries, there are vast differences in the approaches taken and there is no consensus on the optimal type of regime that should be applied. However, the OECD has identified three broad categories of performance budgeting systems: i) presentational performance budgeting whereby performance information is produced and shown alongside funding allocations, but not necessarily utilised to make spending decisions; ii) performance-informed budgeting where such information explicitly influences the allocation of resources; and iii) direct performance budgeting (formula-based budgeting) in which funding is strictly linked to outputs and outcomes. The majority of OECD member countries fall into the first or second categories, with few adopting the latter for select types of expenditures (e.g. funding of higher education or hospitals).

Results from the 2011 OECD Survey on Performance Budgeting indicate that the practice is generally decentralised within central/federal government. That is, it is more common that line ministries apply performance budgeting practices in the allocation of their own budget envelopes across agencies/divisions. The exceptions are spending reviews, where central budget authorities and chief executives play a more central role. Some countries however adopt a more centralised approach, and have in place a government-wide framework for developing performance information (evaluations and performance measures), integrating performance information into budget and accountability processes, using it in decision making, and monitoring and reporting on results. For instance, countries such as Korea, Mexico and Canada have standard and comprehensive frameworks for line ministries and agencies including such elements as guidelines, reporting templates and performance ratings. In the majority of countries however, failure to achieve performance targets most often triggers no financial consequences, but is rather followed by publication of the poor performance and more intense monitoring in the future.

Performance information can take many forms, including financial and operational data, evaluations, and even independent statistics and reports from outside government. By far the most commonly used information in budget negotiations are input measures, such as financial and operational data (Table 4.6).

Methodology and definitions

Data refer to 2011 and draw upon country responses to questions from the 2011 OECD Survey on Performance Budgeting. Survey respondents were predominantly senior budget officials in OECD member countries. Responses represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude performance budgeting practices at the state/local levels. For EU member countries, results exclude any EU funding.

Spending reviews are a specific kind of government evaluation, and are commissioned with the specific objective of identifying budgetary savings across government. The OECD value-for-money project differentiates spending reviews from other types of evaluation through three main characteristics:

1. Spending reviews not only look at programme effectiveness and efficiency under current funding levels, but also examine the consequences for outputs and outcomes of alternative funding levels. They may be functional in nature (e.g. focus on operational efficiency) and/or strategic (e.g. focus both on efficiency and on whether initiatives are aligned with high-level policy priorities).
2. The responsibility for the spending review procedure is under the responsibility of either the Ministry of Finance or the prime minister's office.
3. The follow-up of spending reviews is decided in the budget process.

This composite index in Figure 4.7 contains 11 variables that cover information on the availability and type of performance information developed, processes for monitoring and reporting on results and whether (and how) performance information is used on budget negotiations and decision making by the central budget authorities, line ministries and politicians. It should be noted that the index does not purport to measure the overall quality of performance budgeting systems but is descriptive in nature. Annex C contains a description of the methodology used to construct this index, including the specific weights assigned to each variable.

Further reading

OECD (2008), "Performance Budgeting: A User's Guide", OECD Policy Brief, OECD Publishing, Paris, www.oecd.org/governance/budgeting/40357919.pdf.

OECD (2007), *Performance Budgeting in OECD Countries*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264034051-en>.

Figure and table notes

Data are not available for Iceland and Israel. For Austria Performance information is not yet used for budgeting negotiations but during the budget implementation and to improve efficiency.

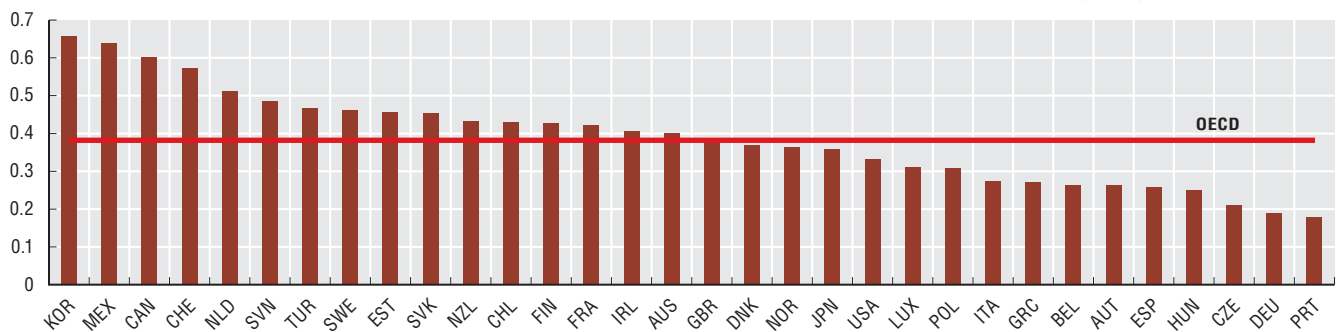
4.6. Performance budgeting practices at the central level of government (2011)

Existence of standardised performance budgeting framework for central government		Use of performance information in negotiations with CBA						Consequences for poor performance		
		Financial data	Operational data and performance reports	Spending reviews	Statistical information	Independent performance information	Performance evaluations	Organisational or programme's poor performance made public	Intensified monitoring of organisation and/or programme	Budget decreases
Australia	No, line ministries/agencies have their own	●	■	■	◇	□	■	□	■	◇
Austria	Yes	x	x	x	x	x	x	○	○	○
Belgium	No, line ministries/agencies have their own	●	□	○	■	◇	◇	○	□	○
Canada	Yes	●	●	■	■	□	■	◇	■	◇
Chile	Yes	●	□	x	□	□	■	●	□	○
Czech Republic	Yes, but optional	◇	◇	x	○	○	x	○	○	○
Denmark	Yes	●	◇	□	◇	◇	□	■	□	●
Estonia	Yes	●	□	○	◇	◇	◇	◇	○	○
Finland	Yes	●	◇	■	◇	○	◇	■	◇	■
France	Yes	◇	◇	◇	□	□	●	□	■	◇
Germany	No, line ministries/agencies have their own	◇	◇	x	○	◇	◇	□	■	□
Greece	No, line ministries/agencies have their own	●	●	●	●	●	x	◇	◇	□
Hungary	No, line ministries/agencies have their own	●	□	○	◇	◇	□	○	◇	◇
Ireland	Yes	●	□	●	□	◇	■	□	□	◇
Italy	Yes	●	○	□	○	○	◇	○	□	○
Japan	Yes	□	□	x	□	□	□	●	○	□
Korea	Yes	■	■	■	□	◇	■	■	■	■
Luxembourg	No, line ministries/agencies have their own	●	◇	◇	◇	◇	◇	□	◇	□
Mexico	Yes	●	●	●	●	■	■	●	●	◇
Netherlands	Yes	●	□	■	■	■	□	◇	□	□
New Zealand	Yes	■	◇	□	□	◇	◇	■	□	◇
Norway	Yes	○	○	x	○	○	○	◇	□	◇
Poland	Yes	□	□	□	□	x	x	○	○	○
Portugal	No, line ministries/agencies have their own	●	◇	○	◇	□	○	○	○	○
Slovak Republic	Yes	●	●	●	●	□	□	◇	□	□
Slovenia	Yes	●	●	○	◇	□	□	■	◇	◇
Spain	Yes	◇	◇	○	○	○	◇	○	○	○
Sweden	Yes	●	■	◇	□	□	□	□	□	□
Switzerland	Yes	●	■	□	●	●	□	◇	□	○
Turkey	Yes	●	□	◇	■	○	□	◇	◇	◇
United Kingdom	No, line ministries/agencies have their own	●	■	●	□	■	□	●	□	◇
United States	Yes	x	x	x	x	x	x
Russian Federation	Yes	●	■	□	■	□	■	□	◇	◇
Total OECD										
● Always		21	5	5	4	2	1	4	1	1
■ Usually		2	5	5	4	2	6	5	5	2
□ Occasionally		2	9	5	9	10	10	6	12	7
◇ Rarely		4	9	4	8	9	8	8	6	11
○ Never		1	2	6	5	6	2	8	7	10
x Not applicable (information not produced or negotiations do not take place)		2	2	7	2	3	5	0	0	0

Source: 2011 OECD Survey on Performance Budgeting.

StatLink <http://dx.doi.org/10.1787/888932943457>

4.7. Use of performance budgeting practices at the central level of government (2011)



Source: 2011 OECD Survey on Performance Budgeting.

StatLink <http://dx.doi.org/10.1787/888932942203>



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