



The changing role of performance information in public management and budgeting

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Outline

- **Presentation builds on findings of OECD Value for Money Study;**
- **Three periods of public administration since the 1980s: receding government, New Public Management, new trends since 2005;**
- **Role of performance information in financing and steering of agencies;**
- **Role of performance information in financing and steering of line ministries.**

OECD Value for Money Study

- **Started in 2009;**
- **13 OECD countries take part;**
- **Aim: inventory of recent reforms aimed at value (better services) for money (at lower costs);**
- **Products: country assessments (for countries that provide co-financing; thus far 6 countries) and final report “Building on Basics”;**
- **Final report to be discussed in March 2012 in Advisory Committee.**

Three periods of public administration since the 1980s:

- **Receding government (1980 – 1990)**
- **New Public Management (1990-2005)**
- **Recent trends: Basic Government (from 2005)**

Receding government (1980-1990)

- **Deregulation**
- **Privatisation**
- **Decentralisation**
- **Fiscal alleviation**
- **Expenditure reduction**

New Public Management (1990 - 2005)

- **Separation of policy execution from policy development;**
- **Loosening of standards of operational management;**
- **Steering and control of executive agencies on the basis of output targets;**
- **Budgeting on the basis of output targets (performance budgeting);**
- **Outsourcing of intermediate production.**

Recent trends: Basic Government

- **Reallocation of public resources from administration to service delivery;**
- **Taylor made service provision to citizens and businesses;**
- **Better integration of executive and professional expertise in policy making (vertical integration);**
- **Amalgamation of executive agencies or establishment of common process units (horizontal integration);**
- **Support service sharing;**
- **Strengthening of standards of operational management;**
- **Concentration of standard setting in one or a few ministries;**
- **Separation of financing of agencies from output steering;**
- **Reduction of output and outcome information in budget documentation**

Roles of performance information:

- **Budgeting/steering of executive agencies**

Principal: line minister

Agent: agency head

- **Budgeting/steering of line ministries**

Principal: minister of Finance, Parliament

Agent: line minister

Problems with performance budgeting for agencies:

- **Outputs are difficult to measure;**
- **Output definitions are subject to permanent reformulation;**
- **What has to happen if output targets are not achieved?**

Problems with performance budgeting for line ministries

- Same problems as in budgeting for agencies
- Budget documentation has become less instead of more transparent for Parliamentarians;
- Sectoral policies are not decided in the budget process; emphasis on output steering has detracted from the primary aim of the budget process to control expenditure and to maintain budgetary discipline.

Recommended reform: split financing of agencies from steering of outputs

- **Financing: annual process;
Steering: permanent process;**
- **Budgeting on the basis of robust rules defining the capacity to meet the need for services (capacity budgeting).**
- **Principal in financing: line minister assisted by financial directorate;
Principal in steering: line minister assisted by policy division.**

Recommended reform: provide output and outcome information to Parliament in sectoral planning documents not in the budget documentation.

- **Sectoral policy is generally not decided in the budget process;**
- **Sectoral policy may be affected by availability of additional resources or the need to realize savings, in which cases performance information may play a role;**
- **Ministry of Finance cannot control the quality of output and outcome information;**
- **Medium and long term sectoral planning documents (and their annual updates) provide a better basis to hold line minister to account for outputs and outcomes than the annual budget.**

**If your country is interested in joining the
OECD Value for Money Study, please
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Thank you for your attention !