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**USING PERFORMANCE INFORMATION FOR MANAGING AND BUDGETING: CHALLENGES,  
LESSONS AND OPPORTUNITIES**

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## USING PERFORMANCE INFORMATION FOR MANAGING AND BUDGETING: CHALLENGES, LESSONS AND OPPORTUNITIES

### Introduction

1. Integrating performance information into managing and budgeting has been an essential part of public sector reform around the world. This is certainly true of OECD countries, many of which have been leading efforts to have performance information play a stronger role in public management. Some countries can point to performance information initiatives in the 70s, others have more recently undertaken deliberate actions to build their capacity for developing and using performance information.

2. Despite this relatively long history, it is clear that interest in OECD countries is not abating, as is evident in the establishment in 2004 of the *OECD Senior Budget Officials Network on Performance and Results*. Performance information initiatives remain a common feature in many countries and the literature continues to debate the many issues raised (see Appendix A for a list of OECD publications).

3. It is also clear that many challenges remain; few countries would argue they have been completely successful in integrating performance information into their management and budgeting systems.

### Why are we still discussing challenges?

4. It is reasonable to ask, given the efforts made over the past 25-30 years in many countries and jurisdictions, why performance information is not routinely part of management and budget systems in most OECD countries. Haven't we learned? Haven't we 'solved' all the significant problems? And if not, why haven't we?

5. The fact is that considerable progress has been made and lessons are there for the learning. It is now widely accepted that performance information should be part of public management and budgeting. This has not always been so and lack of agreement on the usefulness of performance information has been a major stumbling block in the past — and no doubt still is in some quarters.

6. But the slow and sometimes frustrating lack of progress remains. There are no doubt many reasons for this state of affairs, and certainly the specific reasons will vary by jurisdiction. As will be discussed below, the challenges are quite real and many are formidable. Reflecting on this history, a number of broad observations can be made:

7. **The focus has changed.** Early efforts at integrating performance information in public management and budgeting were most often focused on outputs—the direct goods and services produced by government—rather than on outcomes—the benefits achieved as a result of those goods and services. Today the focus is more on outcomes; what are citizens really getting for their tax money? Whatever the challenges there were in using output information in public management, the challenges are significantly more complex and have a much greater affect on public management when outcome information is the focus. The OECD Performance Information Questionnaire (2005) highlighted the fact that while many

countries had considerable experience with outputs, there was much less with outcomes. Lessons learned when using output information may be of limited use when outcome information is sought and used.

8. **It requires fundamental changes.** A key reason for the difficult progress is that integrating performance information into public management and budgeting is not primarily a technical problem that can be left to 'experts' such as performance measurers and evaluators. Rather, an evidence-based focus requires significant and often fundamental changes in how the public sector is managed; in how public sector organizations go about their business of delivering programmes and services to citizens. It requires significant changes to all aspects of managing, from operational management to personnel assessment to strategic planning to budgeting. And it usually requires that elusive 'cultural change', whereby performance information becomes valued as essential to good management. Seen in this light, perhaps it is not surprising that progress has been challenging.

9. **It takes years.** Another key reason for slow progress is that it takes time and perseverance: at least 4-5 years of consistent effort. The problem here is that key people move on, governments and parliaments change, priorities shift. A lot of relearning has taken place in the history of performance information. And 4-5 years is just the timeline to get up and running. Good management requires constant attention. To quote a *cliché*, integrating performance information into managing and budgeting is a journey not a destination.

10. **It costs.** Yet another key reason is that developing and using performance information cost time and money, time and money that an already harassed public service often does not have. Managers may feel, literally, that they do not enough time nor resources to manage or budget for results.

11. The point here is that if the challenge is seen mainly as one of measuring, or as an initiative that can be completed in a year of hard work, or that it can be carried out using existing resources — since after all, it is just part of good management — then progress will likely be slow, spotty and not lasting. It is in light of this history and background that the more specific challenges faced by member countries can be discussed.

### **The OECD Meetings**

12. The first meeting of the network on Performance and Results was held in April 2004, where presentations were made by a number of countries. The material included numerous references to challenges faced, lessons and experiences. This served as a basis for the discussion below. The presentations are listed in Appendix B.

13. It is also clear that the different players involved with performance information, such as spending agencies, ministries of finance, audit offices and elected officials, will see different challenges and consider different challenges as the most critical. This is one of the themes of the April 2005 meeting.

14. This paper seeks to summaries the main findings of the 2004 meeting as well as providing discussion points for the 2005 meeting of the Network. Its aim is to discuss the key challenges faced by member countries, to trigger reflection of the perspectives of different actors, to identify some of the lessons and to point to possible future directions.

### **Ongoing Implementation Challenges**

15. Table 1 lists twelve key challenges. It is based on the literature, previous experience, results from the recent OECD Performance Information Questionnaire (2005) and presentations by member countries at the April 2004 meeting of the Network. For each issue, the challenge posed is presented and discussed, related lessons that may have emerged are outlined and potential future directions indicated.

**Table 1**  
**Twelve Challenges to Implementing Performance Information in Public Organizations**

<i>Institutional and Organizational challenges</i>	<i>2004 Meeting Reference</i>
1. fostering a climate for performance information (the right incentives; ownership; developing a learning culture)	Finland, UK Treasury, UK NAO, Chile, US OMB
2. setting realistic expectations for performance information (modesty; developing realistic demand; educating users)	Finland , Netherlands MoF, UK Treasury, Chile, US OMB, US GAO
3. the long-term development required; maintaining the momentum (commitment of time and \$)	UK NAO, Finland, UK Treasury, Netherlands NAO, US OMB, US GAO
4. setting outcome performance expectations	UK NAO, UK Treasury, Chile, US OMB, US GAO
5. avoiding distorting behavior (reviewing measures; focus on outcomes)	Finland, Chile
6. accountability for outcomes (meaning of accountability; shared outcomes)	UK NAO, US OMB
<hr/>	
<i>Technical challenges</i>	
7. measurement (measuring; getting the right measures; SMART; developing needed skills; shared measures; building in evaluation)	UK NAO, Finland, Netherlands MoF, Chile, Netherlands NAO, US GAO
8. selectivity in measurement; overload problems	Netherlands MoF, UK Treasury, Chile
9. attributing outcomes to actions	UK NAO, Finland, Netherlands MoF
10. linking financial and performance management: 'costing' outcomes	Finland, US GAO, US OMB
11. quality assurance of data and information	UK NAO, Finland , Netherlands MoF, Chile, Netherlands NAO, US OMB
12. credibly reporting performance	UK Treasury

16. *Institutional and Organizational challenges* cover areas where organizations need to change or to do things not done before. *Technical challenges* are those where expertise is required in measurement and budgeting. And for many of these challenges there are imbedded conceptual challenges where changes in, or new thinking about a problem, is required, both by individuals and organizations. There are clear overlaps between these two groups of challenges. Nevertheless, the groupings are useful for discussion.

17. The link to the 2004 presentations should be seen as illustrative. In some cases, challenges have been inferred from the material presented which may have identified, for example, lessons. Each of the above challenges will be discussed in turn and in certain issues will apply to more than challenge.

## Challenges

### *1. Fostering the right climate for performance information*

18. **The challenge.** This is the culture change issue. It is difficult to get organizations (and governments) to change their management behaviour. Performance information has not historically played a large role in how they manage themselves. And these organizations have been able to carry on without this information, so why change?

19. Covered in this challenge are a number of related issues:

- the need for strong leadership
- the need for the right incentives to gather and use performance information
- the importance of a learning culture and the capacity to adapt
- valuing evidence-based and especially outcome information

20. **What the presenters identified.** In terms of actual references, this challenge was most frequently mentioned. The presentations last year identified many aspects:

- the value of focusing on outcomes
- the need for strong and the right incentives
- embedding performance information as part of the broader public service reform, fostering ownership, leadership by the Prime Minister
- Developing a performance-oriented environment, integrating with budgeting, lining to pay, overcoming fear and cynicism
- Gaining support and developing demand from the legislature, the usefulness of incentives

21. **Discussion.** If performance information is not valued by an organization and the many incentives in the organization do not and are not seen to support the development and use of performance information, it is hard to imagine success, no matter if other challenges are met. The frequent reference by presenters last year to the importance of and the challenges to building a supporting environment attest to this fact. In addition, the OECD Performance Information Questionnaire identified leadership as the most frequently raised reason for success with performance information.

22. Culture change in organizations is quite difficult to bring about, for any number of reasons:

- People are quite comfortable doing things the way they have been done in the past. This is true both for managers and budget officials. Indeed, performance information for budget officials may appear as limiting their scope of action — ‘the comfort of ambiguity’.
- Some are fearful of evidence-based approaches to public management and budgeting, seeing it as an erosion of years of built-up experience.
- The formal and informal incentives in organizations are powerful and well known, and may not be seen to value performance information. Or the lack of incentives just may make it difficult to integrate performance information into the existing organizational processes (which in the OECD Performance Information Questionnaire was identified as the principle reason for non-use in budgeting).
- Senior management may be seen as only paying lip service to this latest ‘trend’; others will do likewise.
- If budget decisions clearly ignore performance information, the message is clear.

23. This challenge is very real and requires strong leadership and supporting incentives to get around it. A number of the remaining challenges relate quite closely to this first challenge.

## 2. *Setting realistic expectations*

24. **The challenge.** The long history of efforts at introducing performance information to managing and budgeting has been fraught with setbacks. And often these have to do with unrealistic expectations set out for or assumed for performance information. Performance information has been cast by some as a panacea for improving public management and budgeting: users of performance information will have at their finger tips everything they need to know to manage, budget or hold to account. Such is not and will not be the case.

25. **What the presenters identified.** This challenge also received considerable attention by last years' presenters:

- Properly using performance information and the lack of political support
- Appropriate use of performance information
- The dangers of a mechanistic link with spending reviews
- No mechanistic use in budgeting
- Promoting demand by legislature and others

26. **Discussion.** One of the lessons that should have been learned is the need for modesty. The difficulty of developing and using performance information, as exemplified by these challenges, should be recognized by all. Further, the role of performance information is one of informing decisions not determining them. There is a real need to educate the users of such information on how to use the information and on its possible interpretations and limitations. The need for experience and management skills will always remain at the centre of public sector management.

27. The proper use part of this challenge may be especially pertinent for budget officials. They may be a temptation to use evidence of poorly performing programmes but to ignore or question performance information about well-performing ones. Misuse here will send quite strong messages to spending ministries. Performance information will normally not be comprehensive, will contain some uncertainty; its role should always be seen as informing.

28. And the OECD Performance Information Questionnaire suggests that many have learned this lesson. Although use of performance information in budgeting by central ministries is not widespread, where it is used, it is usually used in this informing role rather than as a determining factor. This is sensible; judgement and larger issues will always be part of budgeting.

## 3. *A long-term commitment*

29. **The challenge.** This challenge has already been identified as one of the overriding issues; it was raised by all but one of last years' presenters. Integrating performance information into management and budgeting needs ongoing commitment over many years. It is not a short term, 1, 2 or 3-year initiative. Many organizations and governments have difficulty maintaining momentum over the long term. A long-term commitment also implies the need for resources over the long term. Developing performance information is not cost free.

30. What the presenters identified. Many points were raised:

- The need to see measures as an evolving tool — not a one time solution.
- The cost of performance information systems in terms of money and skills
- Focus on continuity
- Maintaining momentum, patience required
- Efforts to promote demand by legislature, limited use by legislatures
  - The need for continued momentum

31. **Discussion.** Initiatives in government come and go. Some have seen this ebb and flow with respect to the importance of performance information. Persistence over many years is needed. Indeed, what is needed are new ways of managing and budgeting, ways that place a premium on the use of evidence. Realizing the long-term commitment required, celebrating progress, rewarding successes and sticking with it are what count.

#### 4. *Setting performance expectations for outcomes*

32. **The challenge.** Essential to integrating performance information into managing and budgeting is the need for organizations to establish reasonable expectations about what levels of performance are expected to be achieved. This is a serious challenge for a number of reasons:

- It directly raises the question of accountability for performance.
- Outcomes are by definition results over which organization do not have complete control; setting targets can be seen as dangerous. It may not be known what reasonable levels ought to be.
- It may not clear whether the expectations to be set are predictions of future levels which can be achieved — predictive targets — or are —stretch targets —levels to be aimed for to inspire better performance.
- Setting acceptable expectations may require dialogue with the beneficiaries and/or budget officials.

33. **What the presenters identified.** This too was a recognized issue:

- Setting outcome expectations
- The need for good outcome expectations — SMART
- Setting outcome goals
- Setting expectation clearly
- Setting realistic goals, consulting with Congress

34. **Discussion.** Some have identified this challenge as the most difficult, raising as it does accountability issues, considerably complicated when expectations for outcomes rather than outputs are being sought. Indeed, the accountability issue is worth a separate discussion, and hence it is identified as a key conceptual challenge.

35. A simplistic interpretation of target setting is that specific expectations are set, performance recorded and the variance is determined, indicating strong or weak performance on the part of organizations (or managers). Of course, the results may just show that the expected targets were poorly envisaged or just a wild guess. Or were set deliberately low enough that it would have been hard not to achieve them!

36. The question of whether performance expectations that have been set are predictive targets, or—perhaps more usefully—stretch targets is important to determine, so that interpretation of performance against those expectations is meaningful. What is the purpose of setting targets? To assess performance or to learn how to improve performance?

37. Setting performance expectations can also serve a useful role in discussion between programmes and those who are to benefit, as well as with budget officials, on what is possible.

38. There are technical issues as well. Programmes and policies can be thought of in terms of results chains, whereby certain activities produce a set of outputs that in turn produce a chain of effects intended to influence the final outcomes sought. Expectations can be set at a variety of levels in this chain of results, even if the final outcome is seen as ‘the bottom line’. Meeting a target at one particular level may or may not be important. What is important is that the whole results chain—the performance story—is in fact happening as expected.

## 5. *Avoiding distorting behaviour*

39. **The challenge.** The classic problem in using performance measures is that by selecting a few specific indicators with accompanying targets, managers and staff focus on improving those numbers, perhaps to the detriment of what the programme is actually trying to achieve. This is a more significant danger when the measures are outputs or lower-level outcomes. The experience with performance measures is replete with examples of this kind of behaviour distortions.

40. **What the presenters identified.** A couple of presenters made reference to this issue:

- Concerns that formula funding can distort behaviour
- The need to avoid perverse behaviour

41. **Discussion.** This issue is often presented as a major objection to using performance measures, and the danger is indeed real. Part of the answer lies in addressing the first challenge above. If sensible use of performance information is encouraged and supported by the right incentives, the danger will be lessened. The earlier reference to evolving measures is also pertinent here. For a number of reasons performance measures should be reviewed and updated regularly to ensure they remain relevant, useful and are not causing perverse behaviour.

42. Further, the more the focus is on higher-level outcomes, the less chance there is of this phenomena occurring since the measures are then closely related to the true aim of the activities. Indeed, even better is to focus on the whole results chain and the extent to which it is happening.

## 6. *Accountability for outcomes*

43. **The challenge.** People are generally comfortable with being accountable for things they can control. Thus, managers can see themselves as being accountable for the outputs produced by the activities they control. When the focus turns to outcomes, there is considerably less comfort, since the outcomes to be achieved are affected by many factors not under the control of the manager: social and economic trends, exogenous events, and other programmes.

44. It may not be clear just what accountability for outcomes can sensibly mean. If outputs are not delivered, one can rightly point to the manager responsible and take corrective action. If outcomes do not occur, and the same action is automatically taken, few in the future will be willing to commit to outcomes. A somewhat different approach to accountability in this case is required.

45. There is a second aspect to this challenge that again arises when outcomes are the focus. Many outcomes of interest to governments involve the efforts of several programmes and often several ministries. The outcomes are shared. Can the accountability for those outcomes also be shared? If so, how?

46. **What the presenters identified.** Only two presenters made reference to this issue:

- The challenges of shared outcomes
- The idea of accountability for influencing outcomes

47. **Discussion.** This challenge is a major one and needs to be addressed if performance information is to play a significant role in managing and budgeting. And the way to address it is as indicated by the one presenter last year; consider accountability not for achieving the outcomes per se but rather for having influenced the outcomes. The Auditor General of Canada (2002) has made similar suggestions.

48. In the case of shared outcomes, the accountabilities multiply. Partners are accountable to their ministers, as well as to the other partners with whom they are working. Collectively they are accountable for having influenced the outcome, as well as being accountable for their own actions and their own contribution.

49. This then requires a rather more sophisticated approach to accountability, one where a simple variance analysis is quite insufficient. Evidence on the extent to which the outcomes were achieved is still required, but so is evidence on the extent to which the programme in question has had an influence—has contributed to—the outcomes observed. Judgement in interpreting how good performance has been is essential in this approach to accountability. How much influence is good enough? Also required are approaches to assessing the contribution made towards outcomes (see Challenge 10).

## Technical challenges

### 7. *Measurement*

50. **The challenge.** The issue of how to measure the outputs and outcomes of government programmes is often considered to be the major challenge faced when developing performance information systems. Performance information will not be used unless the ‘right’ data and information are collected. Challenges include measuring many of the outcomes of interest to governments, developing the needed measurement skills, and making appropriate use of evaluations.

51. **What the presenters identified.** Quite a few presenters raised this issue:

- Quantifiable measures of high level outcomes, measures which show value of policy work, measures for outcomes shared with other departments
- Including quality aspects of performance, collecting data from other levels of government
- Linking with evaluation, getting the right information, adequate skills/expertise
- Linking with evaluation
- Getting the right information
- Increasing the supply of information, cross-cutting programmes, difficult to measure areas

52. **Discussion.** While there are real challenges here, some of the difficulty may be in how ‘measurement’ is approached. Much measurement in the public sector differs considerably from measurement in the natural sciences, where precision and accuracy can indeed be routinely achieved. Public sector measurement will always be dealing with soft events and never be able to definitively

“measure” many issues. There will always be a level of uncertainty involved in assessing the performance of a programme or policy.

53. Measurement here might better be thought of as gathering evidence which will reduce this uncertainty. From this perspective, most of the soft results can indeed be measured, i.e. additional data and information can be gathered which will improve understanding about the performance in question.

54. Measurement skills are still needed, but it is known how to develop or buy those skills. Developing the right measures can be a challenge but should be done from the perspective of experimenting, realizing that time will often tell which measures prove useful and robust. Getting the right measures is not done once and for all, but — to repeat — is a journey of trial and error.

55. Of course, the quality of the measurement done is important, and dealt with separately below.

## 8. *Selectivity*

56. **The challenge.** While in some quarters there may be concerns about a lack of performance information, an even more common problem has been the danger of information overload. For any given programme, a huge array of possible measures can be created, easily swamping the ability of users to deal with the information. Quite a few performance measurement systems have collapsed under the weight of too much information. Most now realize the need for selectivity in what information is gathered and used. The OECD Performance Information Questionnaire noted the major trend of increases in the quantity of performance data.

57. However, selectivity is easier to talk about than to achieve. Selectivity means that some information will not be collected, information that someone somewhere may want. How to deal with the information overload challenge is not completely clear.

58. **What the presenters identified.** Several presenters addressed this issue:

- Too many evaluations being carried out; disconnected information
- Selectivity (not too many targets)
- Information overload

59. **Discussion.** Organizations often find it takes some time — years — to determine which data are truly needed and worth collecting. And what is seen as key today will likely change in the future. Review and updating are essential. It is common to find that some measures for which data have been collected turn out to be of less interest and should be dropped. The need for identification of the key measures is important, but so is the need to realize that information requirements must evolve over time if they are to remain pertinent.

60. One way to deal with the information overload problem may be through the smart use of information technology. Today — or in the near future — organizations should be able to have large data bases from which in a straightforward manner, concise, individually designed reports can be produced to meet the needs of different users. One can imagine a web-based data system with user friendly interface allowing each person to design their own performance report. This may ultimately be how ‘information overload’ can be dealt with.

## 9. *Linking financial and performance information*

61. **The challenge.** A key aim of integrating performance information into management and budgeting is to be able to determine the costs of the results of government programmes. For outputs, this is relatively straightforward, since there is a direct link—for the most part—between the costs of inputs and the direct outputs produced. But even for outputs there may often be a challenge since financial systems are not always aligned with outputs.

62. But for outcomes, especially higher-level outcomes, the challenge is not only technical, but also conceptual. Given that outputs and lower level outcomes can contribute to a number of outcomes sought, what does the ‘cost’ of an outcome mean? This issue has not been adequately addressed.

63. **What the presenters identified.** A few presenters raised this challenge:

- The difficulties of budgeting for public goods
- Aligning plans and costs
- Matching cost and results; aligning budget accounts with programs

64. **Discussion.** This issue has not received much attention in the literature. In 1999 the OECD looked at the issue, but there has not been much else. The issue seems to be largely ignored or unrecognized. If a financial system has been aligned with outputs, then those can be costed, albeit there are still technical challenges involved such as the allocation of overhead costs. The conceptual challenge is a bit more tricky. Other than in very simple situations, allocating the costs of outputs between a number of higher-level outcomes does not seem practical.

65. One answer would be to determine the costs for the *set* of outcomes to which the outputs contribute. This is similar to costing a programme, or parts of a programme. More research is needed on this issue.

## 10. *Attributing outcomes to actions*

66. **The challenge.** Measuring outcomes is one challenge. Determining the extent to which the programme contributed to those outcomes is quite another issue, and rather more of a challenge. The problem is that there are often a number of other factors in addition to the programme that have contributed to the observed outcomes. Indeed, the outcomes may have occurred without the programme. But to be able to make any assessment about the worth of spending taxpayers money on the programme, some idea of how the programme has affected the desired outcomes is needed.

67. Sorting out the various possible contributions is a real challenge.

68. **What the presenters identified.** Several presenters raise this issue:

- Linking outputs to outcome-level performance
- Measures of a department’s contribution to final outcomes
- Causality analysis

69. **Discussion.** Undertaking programme evaluations is one way to try and get some estimates of the link between the actions of a programme and their outcomes. Several presenters highlighted the need to integrate evaluation into a performance information system. An evaluation can try to establish the counterfactual; what would have happened without the programme? To undertake such an evaluation

requires considerable skills and can be costly, with results not always guaranteed. Nevertheless, when attribution is an important issue with considerable uncertainty, an evaluation is likely the best way to go.

70. Less sophisticated approaches—such as contribution analysis—can also be useful in reducing at least to some extent, the uncertainty surrounding attribution.

### **11. *Quality of data and information***

71. **The challenge.** In discussing the measurement challenge, it was argued that measurement in the public sector will never be perfect. It follows that care needs to be paid to the quality of data and information in a performance measurement system. And given the contested context in which performance information is used, it is quite important that it is seen as credible by those who use it. Quality touches on a range of matters, such as accuracy, relevance and timeliness. It is not an absolute concept. Further, better quality costs more resources. What is usually sought is data and information ‘fit for purpose’; that is good enough for the intended purpose. Ensuring this is the challenge.

72. **What the presenters identified.** Quite a few presenters raised the quality issue:

- Data quality
- Reliability of performance information
- Setting reasonable quality standards
- Biased information
- Quality information; setting out standards
- Good quality

73. In addition, a presentation was made on quality assurance.

74. **Discussion.** While the importance of the quality of performance information is generally recognized, the attention paid by organizations to quality matters is not always evident. Some research suggests that often only modest attention is paid to quality assurance practices in the area of performance measurement. The challenge is perhaps less of a technical nature — quite a bit is known about quality assurance practices — but rather the will to put the needed resources into adequate quality control practices.

75. One might speculate that the importance paid to empirical information in an organization is proportional to its quality assurance efforts.

### **12. *Credibly reporting performance***

76. **The challenge.** With the proliferation of data and information that is possible and the variety of interests of users, how best to report performance information is not straightforward. This is particularly the case when outcomes are being reported on, since there is often uncertainty surrounding the measurement of the outcomes and the extent to which the outcomes are linked to the programme in question. National audit offices reporting on performance information being provided to parliaments are frequently critical. And there are no widely recognized standards for such reporting; each jurisdiction publishes their own.

77. **What the presenters identified.** Only one presenter raised this issue:

- Annual and web-based reporting

78. **Discussion.** Considerable efforts by ministries, budget offices, and national audit offices have been expended in many jurisdictions on how to best report performance information. There are now quite a few guides on reporting produced among member states with an array of advice on good practice. Again the more reporting focuses on outcomes the greater the challenges become, since there is more of a need to report a performance story, rather than simply report numbers. That is, to report the context surrounding the events being reported and to build a credible case that the performance reported did indeed happen and was due at least in part to the actions of the programme.

### **Challenges Identified in the OECD Survey**

79. During late 2004, the OECD sent out a questionnaire to member countries on a number of issues surrounding performance information. Reference has been made earlier to a number of the findings which relate to the challenges raised here. In addition, one set of questions asked members to identify and rank the four most difficult problems encountered when introducing measures.

80. The highest ranked problems were:

- Difficulties in attributing outcomes to specific programmes or activities (Challenge 10)
- Difficulties in designing measures for specific activities (Challenge 8)
- Insufficient political support for this kind of work (Challenge 2)
- Insufficient or poor quality data (Challenge 11)

### **Overall Synthesis**

81. Integrating performance information into public management and budgeting is not easy; it is doable but the challenges are formidable. An important first step is to recognize the various challenges and consider how to deal with them.

82. The more difficult challenges are perhaps the organization ones listed above, and the presenters at last year's network meeting seemed to agree. But the point is not which are the most difficult, but the need to be aware of the set of challenges. Any one of them could undermine efforts at making progress.

83. Generally lacking in the literature are good examples of how organizations or jurisdictions have dealt with one or more of these challenges. There is a lot of experience in member states and sharing those experiences might be a useful focus of future common efforts.

84. The presentations identified some tentative lessons:

- Strong and right incentives work
- Costs can be linked to outputs, but formula funding can distort behaviour
- It is useful to link performance information to broader public sector reform
- Strong involvement of the Prime minister useful
- Avoid mechanistic use of performance information in budgeting
- Integration performance information with the budget and with pay can be useful
- Link performance information with evaluation
- Stick with it

*More discussion on these lessons, their context and their transferability could be useful.*

**Future Discussions**

85. It was noted at the outset that the different parties involved in integrating performance information into managing and budgeting — managers, budget officials, elected officials, auditors — will have different perspectives on what the challenges are to them. These different perspectives are a theme of the 2005 meeting of the Network. Participants may wish to consider:

86. *From the perspectives of the different parties, which of these 12 challenges*

- *Are the most difficult?*
- *Are the most important to deal with?*
- *and, more importantly, with which of the challenges*
- *Has there been success in overcoming them?*

87. In the end, integrating performance information into management and budgeting is about learning; learning from past experience based on empirical information about what works and what doesn't. This must be the explicit or implicit aim. And this type of learning requires culture change, persistent efforts over many years and an investment in data gathering and analysis and in the sensible use of such information. That is why the challenges remain.

## APPENDIX A – Other references

A selection of OECD publications on developing and using performance information:

- OECD (1989) *Measuring Performance and Allocating Resources. Public Management Studies, 5.*
- OECD (1993). *Performance Measurement.* Paris.
- OECD (1993). *Towards a Results-Oriented Culture.* Paris.
- OECD (1994) *Performance Management in Government: Performance Measurement and Results-Oriented Management.* Paris, Occasional Paper No. 3.
- OECD (1997) *In Search of Results: Performance Management Practices.* Paris.
- OECD (1999) *Integrating Financial Management and Performance Management.* Paris.
- OECD (2002) *Implementing the Vision: Addressing Challenges to Results-Focused Management and Budgeting.* Paris.
- OECD (2002) *Overview of Results-Focused Management and Budgeting in OECD Member Countries.* Paris.
- OECD (2004) *Public Sector Modernisation: Governing for Performance.* OECD Paris.
- OECD (2005) *Enhancing Public Sector Performance. Modernising Government,* OECD Paris.
- OECD (2005) *Results of OECD Performance Information Questionnaire.* (forthcoming)

### *Other References*

Auditor General of Canada (2002). *Modernizing Accountability in the Public Sector. Chapter 9, Report of the Auditor General of Canada to the House of Commons.* Ottawa. [http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20021209ce.html/\\$file/20021209ce.pdf](http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20021209ce.html/$file/20021209ce.pdf)

*APPENDIX B*

**Presentations made by Country Representatives Presentations at the  
Senior Budget Officials Network on Performance and Results Meeting  
OECD, Paris, April 2004**

<b>Chile</b>	Ministry of Finance	Incentives for improving Performance – The carrot or the stick?	Mario Marcel
<b>Finland</b>	Ministry of Finance	Challenges of performance measurement	Tuomas Poysti
<b>Netherlands</b>	Ministry of Finance	Performance information in the budget process	Raphael Debets
	National Audit Office	Assuring the quality of performance information in Dutch central government	Martin Dees
<b>United Kingdom</b>	Ministry of Finance	Performance information in the budget process	Alex Hill
	National Audit Office	The challenges of measuring performance	Simon Henderson
<b>United States</b>	Office of Management and Budget	Incentives to achieve results	Justine Farr Rodriguez
	General Accounting Office	Performance-based budgeting in the United States: A congressional perspective	Denise Fantone