

# Glossary of Key Terms

## 2011 OECD Performance Budgeting Survey

### ***Accountability***

A key concept in management theory and practice meaning the existence of an obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results vis-à-vis mandated roles and/or plans. This may require a careful, even legally defensible, demonstration that the work is consistent with the institution's mandate or contract terms.

### ***Agencies/ "Executive Units"***

Organisations at the central level of government which, although typically in the organisational hierarchy are located under the authority of Line Ministries and report to a Minister, can also in some cases report directly to the Chief Executive (e.g. President/Prime Minister or Cabinet).

### ***Allocation***

The designation of funds in the Budget to a government programme or organisation. Central Budget Authorities and Lin Ministries may, based on performance information, increase or reduce their allocations.

See also Budget and Performance Budgeting.

### ***Budget***

A comprehensive statement of Government financial plans which include expenditures, revenues, deficit or surplus and debt. The budget is the Government's main economic policy document, demonstrating how the Government plans to use public resources to meet policy goals and- to some extent- indicating where its policy priorities lie.

### ***Budget Cycle***

The budget life cycle refers to the major events or stages of the budgetary decision-making process, as well as the implementation and ad-hoc review of those decisions over time. Specifically, the budget cycle has four stages: formulation (which includes planning), approval, execution and audit.

### ***Central Budget Authority (CBA)***

The Central Budget Authority (CBA) is a public entity, or several co-ordinated entities, located at the central/national/federal level of government, which is responsible for the custody and management of the national/federal budget. In many countries, the CBA is often part of the Ministry of Finance. Specific responsibilities vary by country, but generally, the CBA is responsible for formulating budget proposals, conducting budget negotiations, allocating or reallocating funds, ensuring compliance with the budget laws and conducting performance evaluations and/or efficiency reviews. This Authority regulates budget execution but does not necessarily undertake the treasury function of disbursing public funds. Lastly, a very important role of the Central Budget Authority is monitoring

and maintaining aggregate/national fiscal discipline and enforcing the effective control of budgetary expenditure.

### ***Central Government***

Central government is often called federal or national government, depending on the country. For purposes of this questionnaire, the central government consists of the institutional units controlled and financed at the central level plus those NPIs (non-profit institutions) that are controlled and mainly financed by central government. The political authority of central government extends over the entire national territory and the national economy, and central government has therefore the authority to impose taxes on all residents and non-resident units engaged in economic activities within the country. Central government institutions are also mainly responsible for national defence, the conduct of relations with other countries and international organisations, the establishment of the legislative, executive and judicial functions that cover the entire country, and the design and implementation of national health and education policy. In some countries, national governments may play a role in the delivery of some public services such as healthcare and education.

### ***Civil service/civil servants/Senior civil servants***

Those branches of the public service that are not legislative, judicial, or military and in which employment is usually based on competitive examination. Civil service and public service are often used interchangeably. Civil servants are those employed generally under the General Employment Framework for government workers (e.g. a framework that sets forth the conditions of employment including salary ranges, benefits, holidays/leave, code of conduct, etc.). Senior civil servants are those employed specifically at the D1 and D2 levels (defined comparatively as public servants working immediately below the Minister or Secretary of State, such as Director Generals or the Head or Deputy Head at Agencies for instance).

### ***COFOG***

Developed by the OECD, the Classification of the Functions of Government (COFOG) classifies government expenditure data from the System of National Accounts by the purpose for which the funds are used. First-level COFOG splits expenditure data into ten “functional” groups or sub-sectors of expenditures (such as defence, education and social protection), and second-level COFOG further splits each first-level group into up to nine sub-groups. See Annex B of this document for the groups and sub-groups.

### ***Discretionary spending:***

Public expenditure that is governed by annual or other periodic appropriations, rather than by formulas or criteria set forth in authorising legislation.

### ***Effectiveness***

The extent to which a policy, programme and/or organisation’s stated objectives have been met.

### ***Efficiency***

Costs per unit of output. Measuring efficiency aims to measure whether policies, programmes, and/or organisations are achieving the maximum output from a given level of resources (inputs).

**Expenditure**

The term refers to Government spending (or outlays) made to fulfil a Government obligation, generally by issuing a cheque or disbursing cash.

**Gaming**

A conscious response to manipulate performance information (both results and indicators), as a reaction to knowledge of being measured/evaluated.

**Government Expenditure**

The term refers to Government spending (or outlays) made to fulfil a Government obligation, generally by issuing a cheque or disbursing cash.

**Inputs**

Measures of the units of labour, capital, goods and services (or the costs of such units) utilised by government organisations or government-financed organisations to produce public goods and services.

**Line Ministries**

Central government organisations responsible for designing and implementing policies in line with wider Government policies, and for the direction of Agencies/Executive Units under their authority. Line Ministries may be called Departments in some countries, and have responsibility for their own budget portfolios although they must report to CBAs and are subject to their review.

**Line Ministries' Financial/Operational Reports**

The financial accounts and operational reports are produced by Line Ministries and are a useful source of performance information for CBAs which, like statistics, could potentially be under-used in the budgeting process. Such data can be used, in the strictest sense, to ensure compliance with budget directives. However, it can also provide information on the 'inner workings' of a government organisation (e.g. "what do you do?") and may often be a neglected source of input data by which to measure efficiency and cost-effectiveness. For example, the amount revenues/transfers received, number of persons employed, resources spent, capital used or purchased in a given year are kinds of financial and operational information of government organisations which can be paired with the outputs and outcomes achieved to gain a better indication of performance.

Unlike statistical information- financial accounts and operational data are- although generally timelier- of poorer quality and perhaps less consistent over time and across organisations making comparisons/benchmarking difficult. Indeed, comparative statistics need first be harmonised across units and time, thereby taking longer to produce. However, once generated, they tend to be more reliable whereas financial/operational accounts are continually updated in accordance with relevant externalities (changing priorities, changing production/delivery schedules throughout the course of a year, etc.)

See also Performance evaluations, Line Ministries' Performance Reports and Statistical information.

### ***Line Ministries' Performance Reports***

Line Ministries' financial and/or operational reports, while a useful source of potential performance information, are not generally explicitly linked with an analysis of performance. Line Ministries' performance reports, however, (also referred to as "business cases", "performance plans" or "strategic plans" in some OECD countries) do also contain important information for the budgeting process and more explicitly propose/set out to measure performance. Performance reports for example are namely where one would expect to find *performance targets* defined (see below definition), justified and/or compared with the performance results of previous years. Such reports may also provide analysis or context to explain the difference between expected and actual performance, and justifications for changes in expenditure levels or for new policies and programmes couched in performance terms.

See also Performance evaluations, Line Ministries' Financial/Operational reports, and Statistical information.

### ***Mandatory Spending***

Public expenditure that is governed by formulas or criteria set forth in authorising legislation, rather than by periodic appropriations alone. Includes certain kinds of entitlement spending in many OECD countries.

### ***Non-Governmental Organisations***

An organisation created by natural or legal persons that operates independently from any government. The term originated from the United Nations (UN), and is normally used to refer to organisations that do not form part of the government and are not conventional for-profit business. In the cases in which NGOs are funded totally or partially by governments, the NGO maintains its non-governmental status by excluding government representatives from membership in the organisation. The term is usually applied only to organisations that pursue some wider social aim that has political aspects, but that are not overtly political organisations such as political parties.

### ***Outcomes***

Outcomes refer to what is ultimately achieved by an activity. Outcomes reflect the intended and/or unintended results of government actions (e.g. policies, programmes and other activities). Examples of outcomes include the change in student test scores following an increase in hours taught, the change in the incidence of a disease following an immunisation programme, or the change in income inequality following the introduction of a new welfare payment. Outcomes are a broader performance metric than outputs, and are harder to measure since generally factors outside of the governments' intervention also play a role in influencing outcomes.

### ***Outputs***

Outputs are defined as goods and services produced and/or provided by Government (or government financed) organisations. These measures are derived from the direct measurement of output volume. Some examples include: teaching hours delivered, immunisations provided or welfare benefits paid. Outputs tend to be easier to measure than outcomes.

### ***Performance Budgeting (PB)***

Strictly defined, performance budgeting is the utilisation of performance information for the purposes of allocating/re-allocating public resources (e.g. such as linking an increment/reduction of

funding to an increment/reduction of outputs or other results). More broadly defined, however (and the definition adopted by the OECD Performance Budgeting Survey), performance budgeting refers to the use of performance information to (i) inform budget decisions (whether as a direct input to budget allocation decisions or as contextual information and/or inputs to budget planning), as well as (ii) instil greater transparency and accountability throughout the budget process (by providing information to the public on performance objectives and results).

### ***Performance Evaluations***

The retrospective analysis of a policy, programme or organisation to assess how successful or otherwise it has been, what challenges may exist to improving performance, and what lessons (good or bad) can be learnt for the future.

For purposes of the questionnaire, two kinds of performance evaluations are defined:

- **External performance evaluations:** performance evaluations which are not commissioned nor conducted by government organisations (for example, think tanks or civil society organisations). These kinds of evaluations however, do include, evaluations conducted by arms' length organisations such as Supreme Audit Institutions. External evaluations may also be conducted by international organisations.
- **Line Ministries' performance evaluations:** Performance evaluations commissioned and/or conducted by government organisations. These include performance evaluations conducted by private consultants who are supervised, guided, financed by the Government throughout the evaluation process.

See also statistical information, Line Ministries' Financial/Operational reports, Line Ministries' Performance Reports, non-governmental organisations and Supreme Audit Institutions.

### ***Performance Goals***

Higher-order objectives to which a Government policy, programme, or organization are intended to contribute to. Goals typically refer to broad results which may take a number of years to achieve and often involve many people, activities, processes and intermediate achievements. Performance goals may be stated in qualitative terms, as well as in quantitative terms (e.g. performance targets see below definition).

### ***Performance Information***

Performance information can be generated by both government and non-governmental organizations, and can be both qualitative and quantitative. Performance information refers to metrics/indicators/general information on the inputs, processes, outputs and outcomes of government policies/programmes/organizations, and can be ultimately used to assess the effectiveness, cost-effectiveness and efficiency of the same. Performance information can be found in statistics; the financial and/or operational accounts of government organisations; performance reports generated by government organizations; evaluations of policies, programmes or organizations; or Spending Reviews, for instance.

### ***Performance Reports (of Ministries)***

Performance reports (also called "businesses plans", "performance plans" or "strategic plans") are (usually annual) documents produced by Line Ministries which lay out the organisation's mission/vision statements and contain their planned programmes/policies. These documents are

where one may usually find “performance targets” (see below definition) defined and justified for the near future. These may also provide a review of recent activities and/or relevant contextual information although these aspects are not the key focus of the report. Since performance reports are generated by the Line Ministry itself, they are often made for communication purposes and for justifying its budget proposal and strategy to the public and CBA. They are also evolving documents, as performance targets change (either as they are met, or in relation to changing policies and resources).

### ***Performance Targets***

Performance targets refer to specific and measurable outputs or outcomes that are set ex-ante with the goal of being achieved by a Government policies, programmes and/or organizations within a pre-specified amount of time. Performance, as measured against performance targets, compares the initial output/outcome goals set with those actually achieved.

### ***Policy***

A Government policy is a decision determined by the government to (i) address socio-economic challenges in a country (or in the case of foreign policy, in the country’s relations with other countries) and usually also decisions about (ii) how these challenges will be addressed. Policies are Governments’ main tools for guiding action, and are typically expressed in laws/regulations, official policy statements or guidelines, and institutions which then result in programmes and specific initiatives financed and/or conducted by government organizations to address these challenges. In addition to foreign policy (e.g. rules for governing a Government’s relations with other countries), Governments enact fiscal policy (e.g. rules for governing a Government’s actions with respect to aggregate levels of revenue and spending), monetary policy (e.g. rules for governing a Government’s influence over money market and credit conditions), as well as environmental policy and social policy (among others).

### ***Programme***

A programme is a grouping of Government activities in relation to a specific set of policy objectives. A government programme can consist of several initiatives and address multiple policies simultaneously, though both the initiatives and policies are likely to be closely related. An example of a programme is the *Head Start* initiative for early childhood development and health in the United States. The programme addresses several (but related) policy goals such as improving education and health outcomes for children, and is constituted by several activities (e.g. early childhood enrolment in educational, improved nutrition, etc.).

### ***Reallocation***

Also referred to as Virement. A movement of funds from one account to another, which can be limited by formal rules. To prevent misuse, Government organisations must normally seek authorisation to make such transfers.

### ***Spending Reviews***

Spending Reviews are a specific kind of government evaluation, and are commissioned ex ante with the specific objective to identify budgetary savings across government. However, they require some specific characteristics in order to fulfil this role. Spending reviews can be used to reduce the deficit and/or to make fiscal space for higher priority programmes either through restructuring or cutting

activities. 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.
- 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.

These three criteria make an explicit link to budgetary decision-making, both in terms of analysis under alternative funding levels (e.g. spending review targets) and in terms of the budgetary process. In recognising that ministries will be reluctant to offer up cuts, there is emphasis on central leadership for both participation and consistency (or fairness). Spending reviews also differ in terms of their assessment criteria, and may also be *functional in nature* (e.g. focus on operational efficiency) and *strategic* (e.g. focus both on efficiency and on whether initiatives are aligned with high-level policy priorities).

For purposes of the questionnaire, both functional and strategic spending reviews are to be considered when responding to questions on this issue.

### ***Statistical information***

Statistical information is numerical data produced by both government and non-government actors and is a widely available source of performance information for public managers, politicians and the general public. Statistical information does not have to relate specifically to the government policies, programmes or organisations, it can also provide contextual information (e.g. economic conditions, demand for services, demographic/cultural trends, environmental data, etc.) Statistical data are useful for performance evaluation since they utilize harmonised/standardised data (usually over time) allowing for accurate comparison and assessments of trends.

### ***Supreme Audit Institution***

The public body of a State which, however designated, constituted or organised, exercises by virtue of law, the highest public auditing function of that State.

## Table: Classification of the Functions of Government (COFOG)

Developed by the OECD, the Classification of the Functions of Government (COFOG) classifies government expenditure data from the *System of National Accounts* by the purpose for which the funds are used. As the below table illustrates, first-level COFOG splits expenditure data into ten “functional” groups or sub-sectors of expenditures (such as defence, education and social protection), and second-level COFOG further splits each first-level group into up to nine sub-groups.

### First- and second-level COFOG

First-level	Second-level
General public services	<ul style="list-style-type: none"> <li>• Executive and legislative organs, financial and fiscal affairs, external affairs</li> <li>• Foreign economic aid</li> <li>• General services</li> <li>• Basic research</li> <li>• R&amp;D general public services</li> <li>• General public services n.e.c.</li> <li>• Public debt transactions</li> <li>• Transfers of a general character between different levels of government</li> </ul>
Defence	<ul style="list-style-type: none"> <li>• Military defence</li> <li>• Civil defence</li> <li>• Foreign military aid</li> <li>• R&amp;D defence</li> <li>• Defence n.e.c.</li> </ul>
Public order and safety	<ul style="list-style-type: none"> <li>• Police services</li> <li>• Fire-protection services</li> <li>• Law courts</li> </ul>

	<ul style="list-style-type: none"> <li>• Prisons</li> <li>• R&amp;D public order and safety</li> <li>• Public order and safety n.e.c.</li> </ul>
Economic affairs	<ul style="list-style-type: none"> <li>• General economic, commercial and labour affairs</li> <li>• Agriculture, forestry, fishing and hunting</li> <li>• Fuel and energy</li> <li>• Mining, manufacturing and construction</li> <li>• Transport</li> <li>• Communication</li> <li>• Other industries</li> <li>• R&amp;D economic affairs</li> <li>• Economic affairs n.e.c.</li> </ul>
Environmental protection	<ul style="list-style-type: none"> <li>• Waste management</li> <li>• Waste water management</li> <li>• Pollution abatement</li> <li>• Protection of biodiversity and landscape</li> <li>• R&amp;D environmental protection</li> <li>• Environmental protection n.e.c.</li> </ul>
Housing and community amenities	<ul style="list-style-type: none"> <li>• Housing development</li> <li>• Community development</li> <li>• Water supply</li> <li>• Street lighting</li> <li>• R&amp;D housing and community amenities</li> <li>• Housing and community amenities n.e.c.</li> </ul>

Health	<ul style="list-style-type: none"> <li>• Medical products, appliances and equipment</li> <li>• Outpatient services</li> <li>• Hospital services</li> <li>• Public health services</li> <li>• R&amp;D health</li> <li>• Health n.e.c.</li> </ul>
Recreation, culture and religion	<ul style="list-style-type: none"> <li>• Recreational and sporting services</li> <li>• Cultural services</li> <li>• Broadcasting and publishing services</li> <li>• Religious and other community services</li> <li>• R&amp;D recreation, culture and religion</li> <li>• Recreation, culture and religion n.e.c.</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Pre-primary and primary education</li> <li>• Secondary education</li> <li>• Post-secondary non-tertiary education</li> <li>• Tertiary education</li> <li>• Education not definable by level</li> <li>• Subsidiary services to education</li> <li>• R&amp;D education</li> <li>• Education n.e.c.</li> </ul>
Social protection	<ul style="list-style-type: none"> <li>• Sickness and disability</li> <li>• Old age</li> <li>• Survivors</li> <li>• Family and children</li> <li>• Unemployment</li> <li>• Housing</li> <li>• Social exclusion n.e.c.</li> <li>• R&amp;D social protection</li> </ul>

	<ul style="list-style-type: none"><li>• Social protection n.e.c</li></ul>
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n.e.c.: "not elsewhere classified."