



## INTERNATIONAL CONFERENCE ON PERFORMANCE BUDGETING

### SUMMARY DAY 1, JUNE 9, 2008

The International Conference on Performance Budgeting opened on Monday, June 9, 2008, with nearly 1,000 participants representing 41 countries, as well as international institutions and civil society organizations. Opening the conference were Axel van Trotsenburg of the World Bank, Mario Marcel of the Inter-American Development Bank (IDB), Blanca Heredia of the Organization for Economic Co-operation and Development (OECD), and Enrique Cabrero of the Center for Research and Teaching on Social Sciences. They highlighted the importance of performance budgeting to improve the efficiency of public expenditure and provide the services citizens need. Agustín Carstens, Mexico's Minister of Finance, set the discussions in the context of Mexico's comprehensive fiscal reform, for which he said the most important goal was to improve the quality of expenditure and services to citizens. He joined the other speakers in looking forward to two days of discussions and exchange of experience to deepen participants' understanding of challenges and approaches related to performance budgeting.

#### *Themes*

The first day of discussions brought several themes to the fore. It is important, speakers stressed, to link budget reform with a wider program of public management. Budget reform is not just a technical process—it is a political process that requires committed leadership, and it must be tailored to the specific circumstances of each country. The process involves a change of culture, so it cannot be rushed—it takes time, patience, and persistence. Participants were cautioned to keep flexibility in the process, and to manage expectations. The journey, they were reminded, is as important as the destination. But regardless of the difficulties and risks, they learned, no country that has moved in this direction would now consider doing budget work without using performance information.

#### *Keynote Address*

Graham Scott, former Secretary to the Treasury, New Zealand, defined performance budgeting as the work of the budget system that promotes performance improvements throughout the system. He highlighted many of the themes that were to recur during the day—for example, mentioning that the role of the Ministry of Finance in the process of budget reform is pivotal, despite variations in the country context. He acknowledged the importance of managing for outcomes, but noted that outputs usually make better performance indicators, because individual departments do not have enough control over outcomes. In responding to Scott's remarks, Mario Marcel highlighted the need to use information in decision-making, to provide incentives to administrators, and to maintain flexibility. The World Bank's Nick Manning differed from Scott's opinions only on the role of the Ministry of Finance, saying that while the Ministry of Finance must play a lead role in the process of budget reform, other actors also have a significant part to play, particularly in the broader reforms that go beyond the budget.

#### *Panel 1. The Institutional Foundations for Performance Budgeting*

Speakers in this session provided several perspectives on performance budgeting, but a remarkable unanimity on the lessons to be learned from their experience. Barry Anderson of the OECD said the essence of performance budgeting is to go beyond budgeting by inputs ("How much can we spend?) toward budgeting for measurable results ("What can we achieve with the money?"). There is no one model for performance budgeting, he said; each country must evolve the approach that works best in its circumstances. Bruce Stacey and Lee McCormack, representing Canada's Results-based Management Treasury Board, used Canada's experience to illustrate the need for persistence and flexibility, and to manage expectations: "under-promise and over-perform." They mentioned the process of strategic program review and the efforts to cut expenditure and cancel programs through this mechanism. The IDB's Roberto García-López explained the use of the IDB's Institutional Development Index to help countries assess where they stand on five dimensions of managing for results, and what gaps need attention. Richard Hughes of the International Monetary Fund (IMF) described the United Kingdom's experience with





performance budgeting. Among the lessons he drew were not to have too many targets, to be realistic about where performance can make a difference, and to choose objectives that have political resonance. In summing up, moderator Dionisio Pérez-Jácome, Vice-Minister of Finance in Mexico noted the themes of adapting budget reform to the country's specific circumstances, the importance of committed leadership, and the fact that budget reform is a long and gradual process.

### ***Panel 2. Production and Quality of Information for Performance***

Moderator Teresa Curristine of OECD highlighted two main themes from the session: the need to carefully consider the type of performance information, and to design flexible performance information systems. Sweden's Knut Rexed, in discussing his country's decentralized system, noted that there are costs to generating performance information, and administrations shouldn't ask for more than they need to know. He mentioned "citizen's choice" as a pragmatic use of directly linking performance information with funding and - when citizens are provided with good information and choose their providers, they also choose those that provide the best services. The IMF's Marc Robinson said that information is an essential foundation of performance budgeting, but is not sufficient. He talked about the limitations of performance targets and the need to first develop performance measures. To ensure the quality of information, Heidi Berner of Chile stressed the importance of monitoring and evaluation, particularly program evaluations. She also noted that in Chile the number of performance indicators has grown significantly since 2001, to fully capture the activities and outputs of all the various agencies. Lewis Hawke, in talking about Australia, said that performance information is still most used at the operational level, to help managers improve the efficiency of programs, rather than to shift resources between programs/outcomes. They use a full accrual accounting basis and focus on costs. He cautioned against overloading users with information from too many indicators and targets; advised ensuring that indicators are at an appropriate level—not too high or broad; and commented on the role of Australia's National Audit Office in ensuring the quality of performance indicators and information systems. All the presenters talked about the importance of developing the capacity of agencies to generate and of users to use performance information, reinforcing the message that overall the "journey is as important as the destination."

### ***Panel 3. Using Performance Information: Making Better Budget Decisions***

Among the issues that emerged from the presentations was the difficulty of using performance information, which is not homogeneous. The Netherlands' Helmer Vossers, who presented the Dutch case, highlighted the failures in producing the wrong information and stressed the importance of beginning with policies when introducing the use of performance information. Christopher Hood of Oxford University explained the use of performance information for targets, rankings, and intelligence, illustrating the importance of context and culture in the use of performance information. Miguel Braun of Argentina discussed the use of performance information by civil society organizations, and brought to the audience's attention the importance of presenting performance information in a form citizens can understand and use. Finally, Javier Guerrero García, who presented the use of performance information by Congress, evidenced the role that legislative bodies are increasingly playing, focusing on the Mexican context and acknowledging both the political and technical aspects to the use of performance information. Moderator Mercedes Caballero of Spain concluded by noting that it is difficult to measure performance in the public sector, so there is a need for caution in designing indicators. She added that in many cases agencies have more information than the center and must play a critical role in introducing the use of performance information.

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