



## INTERNATIONAL CONFERENCE ON PERFORMANCE BUDGETING

### SUMMARY DAY 2, JUNE 10, 2008

The first day of the International Conference on Performance Budgeting had focused on the principles of performance budgeting—its institutional foundations, the production of information, and the use of performance information in decision-making. The second day examined how these principles can be applied in a variety of situations.

#### **Themes**

The themes that emerged from the second day's discussions were simple: performance budgeting is here to stay, and it can be used at many levels—federal, state, local, institutional—to improve the provision of services.

#### **Panel 4. Performance Budgeting and Management in Mexico**

With Gonzalo Hernández of Mexico's National Evaluation Council (Coneval) as moderator, panelists representing Mexico's Ministry of Finance, Ministry of Public Administration, and Congress discussed the four principal aspects of Mexico's performance budgeting system. Vice-Minister Dionisio Pérez-Jácome (Finance) pointed out that in recent years Mexico has achieved a good degree of economic stability and is now seeking to increase the quality of its expenditure to ensure better services for its people. Building on the reforms of recent years, in 2008 the country is officially launching the *Presupuesto basado en Resultados* (Results-based Budget) effort. Based on a logical framework approach that aims to align the national budget with the National Development Plan, it covers over 200 Federal Government programs. The *Sistema de Evaluación del Desempeño* (Performance Evaluation System, or SED) is an integral part of the effort. The government expects to see its first results in one year's time, but is aware that it will take many years to fully implement the system, improve indicators and incentives, build wide ownership, and reap the full benefits of this new way of doing business. Representative Moisés Alcalde Virgen (Congress) explained the role of the legislative branch in approving the public budget each year and overseeing implementation, admitting that Congress should not only reflect political priorities but should also base its allocations on rational performance information. He concluded that SED is indispensable to improving the quality of public expenditure. Minister Salvador Vega (Public Administration) discussed the *Programa de Mejora de la Gestión* (Public Management Enhancement Program, or PMG), the third pillar of the budget reform effort. By the end of the current administration, he said, the PMG aims to maximize the quality of goods and services, improve institutional effectiveness, and minimize the government's operations costs. Finally, Gonzalo Hernández briefly described Coneval, the independent evaluation group whose work is integral to the performance budget effort.

#### **Panel 5. Performance Budgeting and Service Delivery**

Moderator Ernesto Jeger of the United Kingdom's Department for International Development opened the session by noting that sector budgets are often earmarked for staff costs; the important question is how to use them to improve service delivery. Ernesto Cordero, Mexico's Minister of Social Development, commented that performance budgeting is a revolution, a complete change in how to look at public services. He described his Ministry's approach to performance budgeting, which involves a repeating cycle of monitoring, budgeting, and evaluation based on results. Using the logical framework for the design and management of social development programs has allowed the development of indicators that are easy to understand and follow. France's Frédéric Bobay then described the French experience with performance budgeting—an unusual case that was initiated by Parliament in 2001 and launched as a "big bang" for the 2006 budget exercise. The performance information process introduced new documents that show targets and goals, as well as the actual results from previous years, and internal auditing to guarantee the accuracy and credibility of the reports. Korea's Nowook Park discussed Korea's experience with performance budgeting, which after earlier efforts was anchored in a new Public Finance Law in 2006. Early experience has been mixed: the country is moving away from incremental budgeting and there has been some use of results information, but a self-assessment has indicated that further work is needed. Plans for continuing efforts include improving performance information, improving the capacity of the central budget authority, and increasing the involvement of high-ranking decision-makers. Finally, Bertha Briceño of Colombia explained some of the unique features of her country's results management system: community councils, held every Saturday, which the President and cabinet attend;





monthly meetings at which the President holds the cabinet ministers accountable for results; and reporting that shows the citizens the progress being made.

#### ***Panel 6. Performance Budgeting at the Subnational Level***

This session examined the introduction of performance budgeting in a diverse range of subnational governments. Renata Vilhena, Secretary of Planning and Finance from the Brazilian state of Minas Gerais, explained how a fiscal crisis spurred a “shock” reform program to turn persistent fiscal deficits into surpluses using revenue, expenditure, and performance improvement measures. The objectives of a second generation of “shock” reforms have now evolved from fiscal adjustment to “better budgeting,” aimed at more strategic budgeting and management improvements. Canada’s Murray Lyle then described how, following the oil revenue shock in the late 1980s, an innovative business planning approach had been introduced in the province of Alberta. These reforms were later enshrined in a Government Accountability Act and companion Fiscal Responsibility Act. The Minister of Planning and Finance of the Mexican State of Querétaro, Juan Manuel Alcocer Gamba, noted how performance budgeting is being used to help generate additional fiscal space for priority programs. He also noted that the public needs to be properly informed: they are not interested in how much is spent, but in what results they get for their money. The Finance Minister of the Mexican State of Michoacán, Humberto Suárez López, emphasized the opportunities to learn from others’ experience to overcome obstacles and to adapt good practices. In discussing constraints, both Ministers noted their states’ reliance on earmarked federal transfers and mentioned the importance of tax reforms for creating additional fiscal space to meet large social needs. Moderator David Arellano from the Centre for Research and Teaching (CIDE) concurred, highlighting the need to consider the political context, especially in a federal system where states are struggling to find the resources to provide services.

#### ***Closing***

In the closing session, the World Bank’s Roby Senderowitsch—who had served as facilitator for the entire conference—thanked the many people who had contributed to the success of the meeting: CIDE and the students who worked with them; staff of the Inter-American Development Bank (IDB), Mexico’s Ministry of Finance, the Organisation of Economic Co-operation and Development (OECD), and the World Bank; members of the panels; the technical and security teams; and the translators and hotel services. He asked participants for comments; many mentioned how valuable they had found the conference. A participant from Canada expressed a wish that when Canada was beginning their performance budgeting work, they had had the level of support evidenced by the numbers of people and depth of discussion at this conference.

In formal closing remarks, the World Bank’s Marcelo Giugale said that performance budgeting gives the promise of a new social contract, an instrument to break the cycle of lack of trust between citizens and governments. IDB’s Cecilia Ramos added that performance budgeting will help create a culture more oriented toward results. OECD’s Barry Anderson paraphrased an American political slogan to assure Mexico and other countries that “yes, you can” institute performance budgeting. CIDE’s David Arellano reminded participants that there is no innovation without risk, and in performance budgeting politicians must have the flexibility and discretion to take risky decisions. The speakers offered best wishes and continuing support to Mexico as it develops its performance budgeting system. Vice-Minister Dionisio Pérez-Jácome closed the event by saying that the two days of the conference had been busy and fruitful ones, allowing participants to explore the elements of the performance budgeting tool and hear the experience of various governments that had chosen that tool. He reiterated many of the themes that had recurred throughout the conference: the need for firm political commitment and leadership; the importance of linking budget reform with wider public sector reform; the fact that there is no magic recipe and performance budgeting must be adapted to each country’s realities; performance information must be used in decision-making; performance budgeting is possible at all levels of government; and its true purpose is to provide better services to people. He thanked the sponsors and attendees for their participation, and expressed his pleasure that Mexico had been able to host the event.

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