

Performance Based Budgeting

Some Lessons for Poland from
the New Zealand Experience

Warsaw Conference 7 - 9 November 2007

Key Definitions

“Outputs” = services provided = “efficiency”
(goods produced)

“Outcomes” = results achieved = “effectiveness”
(socio-economic impacts)

A brief history of reforms

1984: Economic / fiscal crisis

Three phases of budgeting reform:

- 1984 – 91: Major economic reform period
- 1992 – 96: Specific fiscal policy improvements
- 2001 – 04: Major improvements in performance framework

Key Budgeting Reforms: 1st Phase

- Output-based budgeting
- State sector employment – contract model (performance-based)

Major Reforms: 2nd Phase

- Introduction of GAAP financial accounting (incl. accrual concepts)
- Fiscal Responsibility Act (fiscal strategy and reporting)
- “Baseline” budgeting

Major Reforms: 3rd Phase

- Shift to Outcome-based budgeting (“Managing for Outcomes”)
- Inclusion of strategic management principles (“Intervention Logic”)
- More comprehensive, better budget and expenditure planning documentation

Today: On-going refinements to the performance framework

- Better specification of desired outcomes
- Better targeting of expenditures on “intermediate” outcomes
- More relevant & specific performance indicators
- Increased accountability for achieving and reporting results

Performance Budgeting: Core Documentation

1. Statements of Intent
2. Departmental Estimates (Budget)

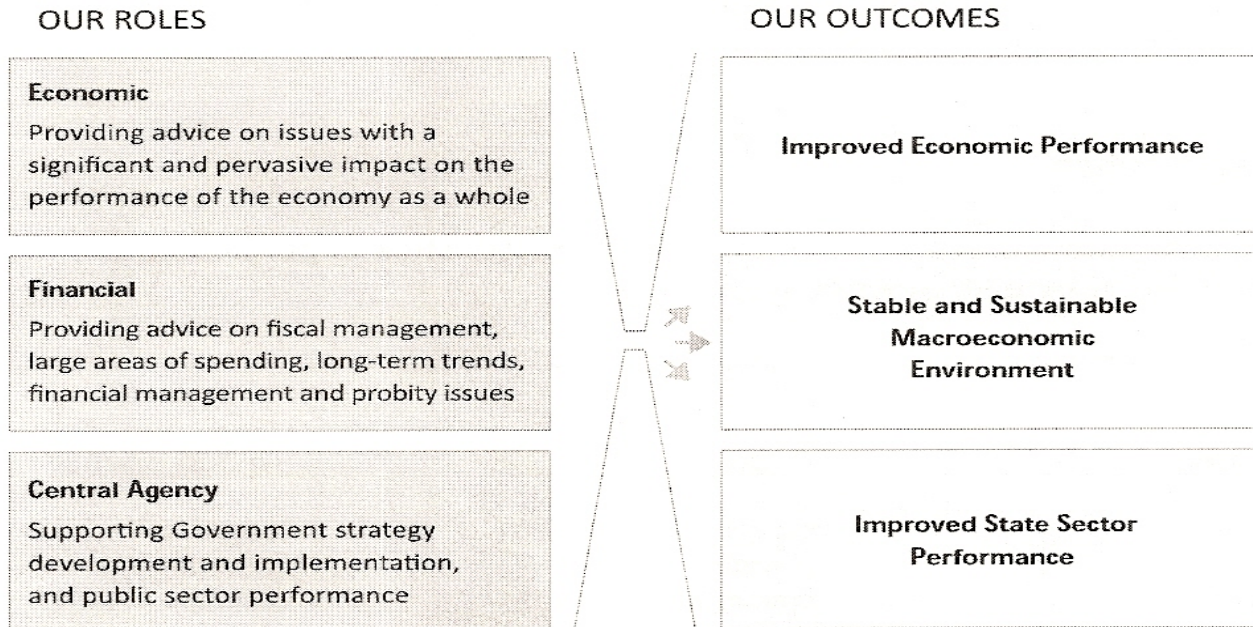
Statements of Intent (SOI)

- All departments, annual document, 3-year focus
- States how each department will contribute, through its outcomes, to government's overall policy objectives
- Key elements:
 1. *Outcomes (results) framework*
 2. *Results specification*
 3. *Output performance framework*
 4. *Financial forecasts of revenue & expenditure*

Departmental Estimates

- Expenditure trends (analysis by programs)
- Appropriation by program (“Output Expenses”)
- “New policy” initiatives
- Multi-year appropriations
- “Non-departmental” expenditures
- Capital expenditures

Treasury (MoF) SOI: Roles - Outcomes



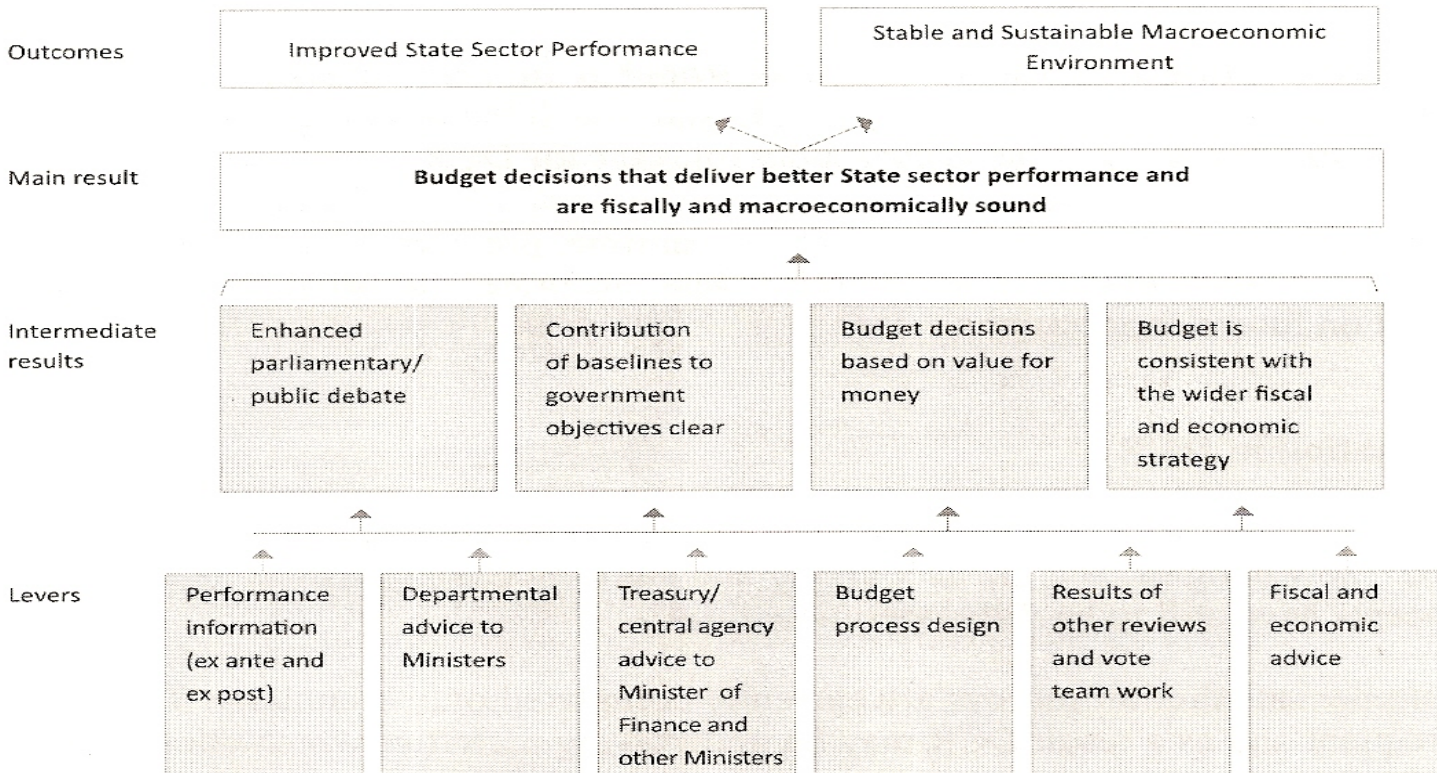
Outcomes – Programs - Organisation

VOTE FINANCE AT A GLANCE

OUTCOMES	OUTPUT CLASSES (\$M AND % OF BASELINE TOTAL)	TREASURY GROUPS
Macroeconomic Performance	Debt and Related Financial Asset Management \$7.3m (13%)	Macroeconomic \$18.7m (33%)
	Policy Advice and Management: Macroeconomic \$11.4m (20%)	
State Sector Performance	Policy Advice: State Sector Performance \$17.6m (31%)	State Sector Performance \$20.8m (37%)
	Management of Claims Against the Crown, Contractual Liabilities and Crown Properties \$5.7m (10%)	
Economic Performance	NZ Export Credit Office \$1.2m (2%)	Economic Performance \$17.0m (30%)
	Policy Advice: Economic Performance \$13.3m (24%)	

Outcomes – Interventions - Levers

Results specification for the Government Budget



Some Lessons from NZ

- Balancing accountability (outputs) with performance (outcomes)
- Linking budget & policy interventions to identifiable outcomes (departmental strategies)
- Using indicators to inform policy interventions (not as “hard” targets)
- Using “program” concepts as basis for designing, managing and evaluating expenditure policies
- Focus scrutiny on new policy initiatives, with periodic review of structural expenditures

Performance Budgeting: Opportunities for Poland

Many approaches, but a few essential principles:

- Strong and effective expenditure program design
- Realistic and achievable performance framework (objectives, inputs, outputs, results)
- Performance budgets must be manageable by non-economists, non-accountants
- Performance information must be relevant to management decisions (output + outcome measures)

Final Comments

1. “Anglo- Saxon” vs “European” Models of PPB
2. “Political will” vs public sector professionalism

More information?

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Thank You