

# Introductory Session: Medium Term Expenditure Framework and Program Budgeting

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February 2013



## Overview: MTEF and Program Budgeting

- Why should plans and budgets be linked?
- Relationship between plans and budgets
- Moving beyond line-item budgeting
- Program based budgeting and MTEF
- Emerging Issues
- Implications for Near and Medium Term
- Requires Commitment for Reforms



# Why should plans and budgets be linked?

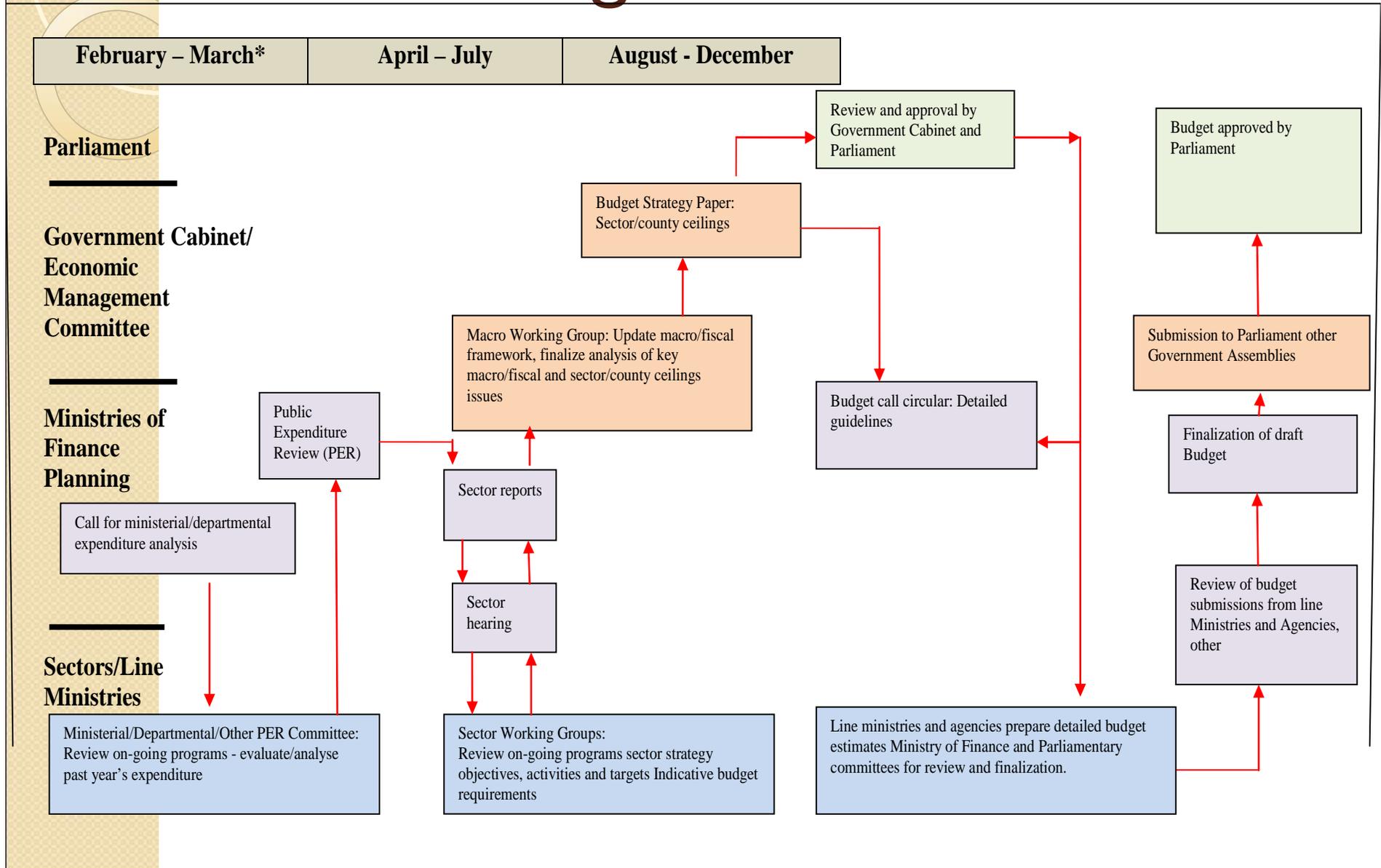
- Plans and budgets should be linked to improve operational effectiveness
  - Ensures that key objectives and priorities are budgeted for and achieved
- Inherent tension between strategic planning and budgeting
  - Sometimes difficult to achieve the desired level of integration
  - Budgets focus on the short term perspective (next financial year)
  - MTEF focuses on a longer view (3-5 years)
- Strategic long term approach necessary to inform the allocation of resources



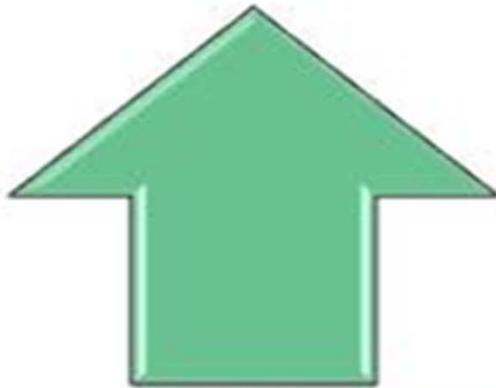
## Budget Program Structures: Relationship between plans and budgets

- Budget program structures provide the link between an institution's objectives and its detailed operational budgets
- Programs and subprograms reflect the main areas of responsibility or service delivery of an institution
- When program structures are determined, it should be noted they do not change much over a five-year cycle
  - Activities may change, but programs remain relatively constant

# MTBF Budget Process

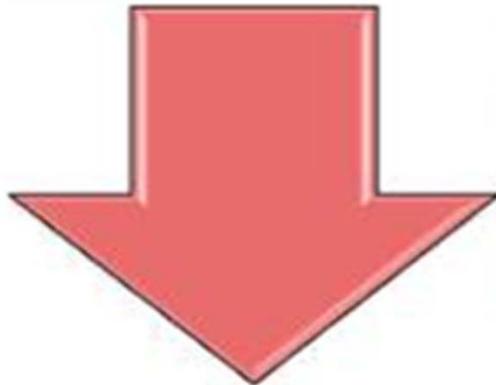


# Moving Beyond Line-Item Budgeting



## Advantages:

- Analysis of budgets is relatively simple
- Budget generally stable
- Budget changes are gradual



## Disadvantages:

- Inadequate justification for continuation or elimination of government spending
- Does not link government objectives to services delivered by government
- No accountability for results
- No incentives to reduce costs
- Ignores linkage with government policy



## Disadvantages of Line-item Budgets

- Provides little information about the outcomes budget hopes to achieve
- Difficult to allocate resources to policy priorities
- Does not relates resources to specific outputs
- Ensures control of funds instead of achieving results



## Program based budgeting under MTEF will address many weaknesses

- Limited opportunity for systematic assessment of the efficiency and effectiveness of spending, or for relating allocations directly to policy;
- The budgets reveals little about the purpose of expenditure, and, only allow analysis of inputs employed and budget aggregates, but not resulting outputs and outcomes;
- Expenditure may not be related to organizational mandates
- Objectives and may easily lead to duplication of efforts by various agencies.



# Why Program Budgeting?

- Integrates strategic planning, resource allocation and financial management to achieve desired results and get value-for-money
- Costs of achieving government priorities defined by budgeting and accounting by programs
- Devolves budgeting and managerial responsibilities and holds managers accountable for outputs



## The Benefits of Program Budgeting (I)

- Departmental managers plan their own budgets
- Managers plan their own activities for achieving National Priorities
- Discussions within Line Ministries and with MoF more meaningful
  - Outputs to be produced are discussed rather than inputs



## The Benefits of Program Budgeting (2)

- Budget presentations more meaningful
  - Possible to show the outputs to be produced with the funds
- Basis for holding departmental managers and heads of organisations accountable for the delivery of services



# Key Program Budgeting Features (I)

- Program budget:
  - Allocates all funds of an organization among its programs and activities
  - Allows policy makers to review the policy implications of spending decisions against objectives by looking at performance indicators, i.e., proposed and actual results
  - Requires management efforts to identify goals, objectives, and performance indicators



## Key Program Budgeting Features (2)

- A program budget
  - Focuses on the results of each program
  - Make explicit for decision makers and the general public what a spending unit has done, what it plans to do, and, ultimately, how well it performs with the public funds it receives

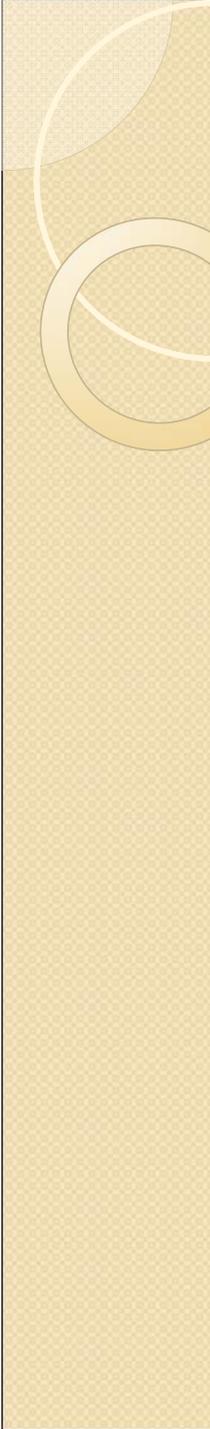


# Emerging Issues

- Changes in responsibility for managers
- Changing roles and responsibilities for MoF and line-ministries
- Linkage with other reforms
- Program budgeting:
  - Time-consuming
  - Requires more information than traditional budgeting
  - Costly to implement
  - Requires capacity building

# Implications for Organizational Structure

- For accountability and resource allocation purposes, need clear relationship between program structure and organizational structure
- Organizational structure should be adapted to facilitate the implementation of programs
- Let heads of departments manage
  - Be responsible for their own budgets and accountable for the output of their departments



# Implications for Near and Medium-Term

- Legislative reforms
  - Appropriation at program level
- Accounting and IT reforms
  - Budgetary classification and chart of accounts will need to be modified to take into account programs and activities
- Auditing
  - Internal and external audits must have capacity for performance audits



# Commitment to Reforms

- Political commitment and political will
  - Support from Minister of Finance
- Managing change
  - Strong leadership from State Ministers
  - “Champions of Change” Budget Reform Team
- Involve all stakeholders especially Heads of Departments
- Build appropriate capacity



**Figure 1: Program Statement Template**

<b>Program</b>	<b>Sub-Program</b>	<b>Organizational Units</b>	<b>Objectives</b>	<b>Outputs</b>	<b>Performance indicators</b>	<b>Targets</b>
Program A			Program Objective			
	Sub-Program A.1	Departments or other units which belong to this sub-program	Sub-program objective	Sub-program outputs (list of key services)	Sub-program key performance indicators	Targets for these indicators (if applicable)
	Sub-Program A.2	Departments or other units which belong to this sub-program	Sub-program objective	Sub-program outputs (list of key services)	Sub-program key performance indicators	Targets for these indicators (if applicable)
Program B			Program Objective			
	Sub-Program B.1	Departments or other units which belong to this sub-program	Sub-program objective	Sub-program outputs (list of key services)	Sub-program key performance indicators	Targets for these indicators (if applicable)
	Sub-Program B.2	Departments or other units which belong to this sub-program	Sub-program objective	Sub-program outputs (list of key services)	Sub-program key performance indicators	Targets for these indicators (if applicable)

**Figure 2: Program Statement Template**

Program	Sub-Program	Organizational Units	Objectives	Outputs	Performance indicators	Targets
Program A			Program Objective			
	Sub-Program A.1					
	Sub-Program A.2					
Program B			Program Objective			
	Sub-Program B.1					
	Sub-Program B.2					
Program C						
Program D						

Iraq  
December 2012

# Program Budgeting

## A Brief Snapshot

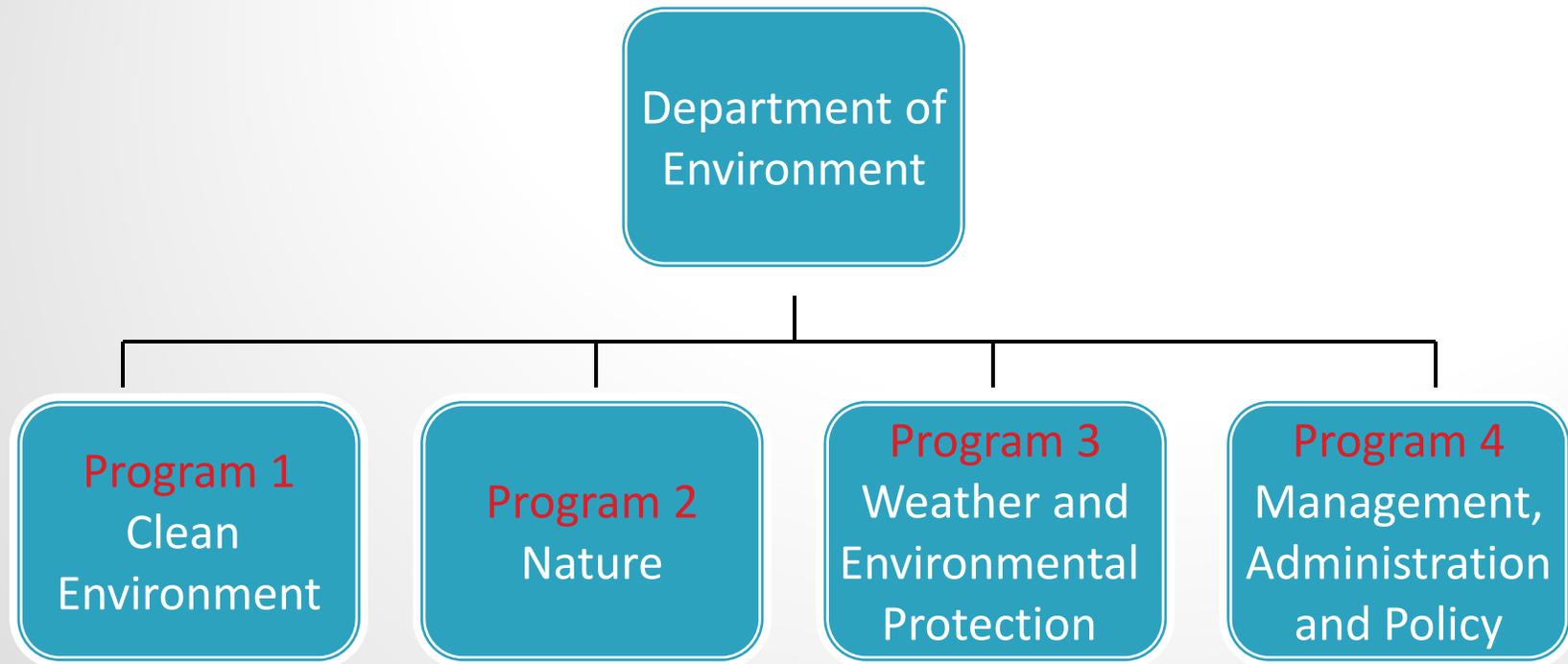
# General Overview

- ▶ Core model performance budgeting
  - Suitable for government-wide applications
- ▶ What a program budget is
  - Difference from an input budget
  - Zero based budget
- ▶ Program classification principles
- ▶ Program titles, objectives and indicators
- ▶ Program budgets and strategy
- ▶ Program structure and levels of government

# Program Budgeting

- ▶ Expenditure classified by objectives
- ▶ Integrates investment and recurrent spending under programs
- ▶ Compare program costs and benefits
  - Using program performance information
- ▶ Expenditure prioritization
  - Allocative efficiency
  - Preventive health vs. treatment
- ▶ Efficiency of program delivery
  - Pressure on agencies to perform better
  - Performance looked at in budget process

# Basic Program Design Example



# Traditional 'Line-Item' Budgeting

- ▶ Traditional way of formulating budgets
- ▶ By economic category:
  - Salaries, supplies, travel, capital spending
  - And organizational units
- ▶ Says nothing about spending objectives
  - No use for expenditure prioritization
- ▶ Linkage of spending and objectives
  - Only when a new initiative proposed
  - So promotes 'incrementalism'

## Reflection on Traditional Line-Item Budgeting

- Shows exactly how much is spent on each item of expenditure
- Focuses on 'inputs' not 'outputs' or 'delivery'
- Itemises payments (and receipts) by standard categories (GFS2001 (Economic Classifications))
- Form of financial control rather than effectiveness
- Ensures aggregate fiscal discipline

# Disadvantages of Line-item Budgets

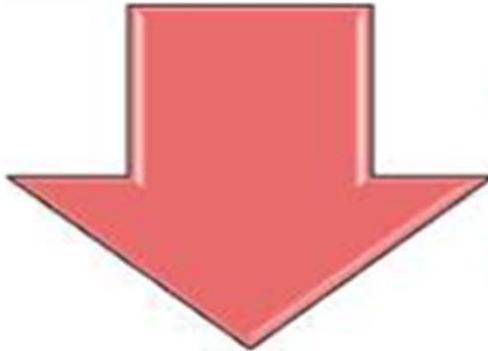
- ▶ Provides little information about the outcomes budget hopes to achieve
- ▶ Difficult to allocate resources to policy priorities
- ▶ Does not relates resources to specific outputs
- ▶ Ensures control of funds instead of achieving results

# Pros and Cons of Line Item Budgeting



## Advantages:

- Analysis of budgets is relatively simple
- Budget generally stable
- Budget changes are gradual



## Disadvantages:

- Inadequate justification for continuation or elimination of government spending
- Does not link government objectives to services delivered by government
- No accountability for results
- No incentives to reduce costs
- Ignores linkage with government policy

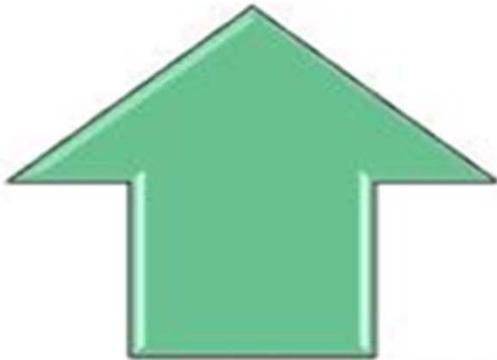
# Zero Based Budgeting

- ▶ **1970s Zero Based Budgeting (ZBB) introduced improve upon the drawbacks to purely incremental budgeting**
- ▶ **Zero Based Budgeting (ZBB):**
  - Involves costing each activity, program or vote from the beginning (from zero) every year
  - Is not based on the incremental approach and previous figures are not adopted as the base
  - Zero is taken as the base year and a budget is developed on the basis of likely activities for the future period
- ▶ **ZBB tries to assist management in answering the question:**
  - “Suppose we are to start our business from scratch, on what activities we spend our money on and what would we give the highest priority?”

# Zero based budgeting - Issues

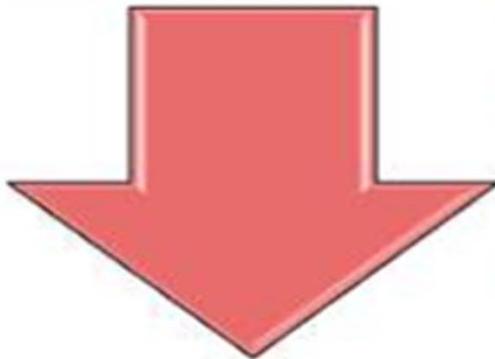
- ▶ **In Purely Zero Based Budgeting (ZBB) system:**
  - All programs evaluated each year; and,
  - Must be justified in each fiscal year as opposed to simply basing budgeting decision's on a previous year's funding level;
  - The fact that resources have already been granted to a program does not necessarily mean that it should be continued.
- ▶ ZBB approach used for:
  - Occasional expenditure reviews;
  - Practically impossible to undertake each year for the preparation of the annual budget;
  - Zero-based budgeting is far too complex to undertake for annual budget submission process

# Pros and Cons of Zero Based Budgeting



## Advantages:

- Drives managers to find cost effective ways to improve operations
- Detects inflated budgets
- Assists in identifying wasteful and obsolete operations
- Encourages cost centers to identify their mission and relationship to overall goals



## Disadvantages:

- Difficult to define decision units and decision packages
- Extremely time-consuming
- Budget agencies are forced to justify every detail related expenditure
- Requires a tremendous amount of training (training can be costly)

# Why Program Budgeting?

- ▶ Integrates strategic planning, resource allocation and financial management to achieve desired results and get value-for-money
- ▶ Costs of achieving government priorities defined by budgeting and accounting by programs
- ▶ Devolves budgeting and managerial responsibilities and holds managers accountable for outputs

National  
Development  
Plan

Goal 1

National  
Development  
Plan

Goal 2

National  
Development  
Plan

Goal 3

Program  
Objective  
Program A

Program  
Objective  
Program B

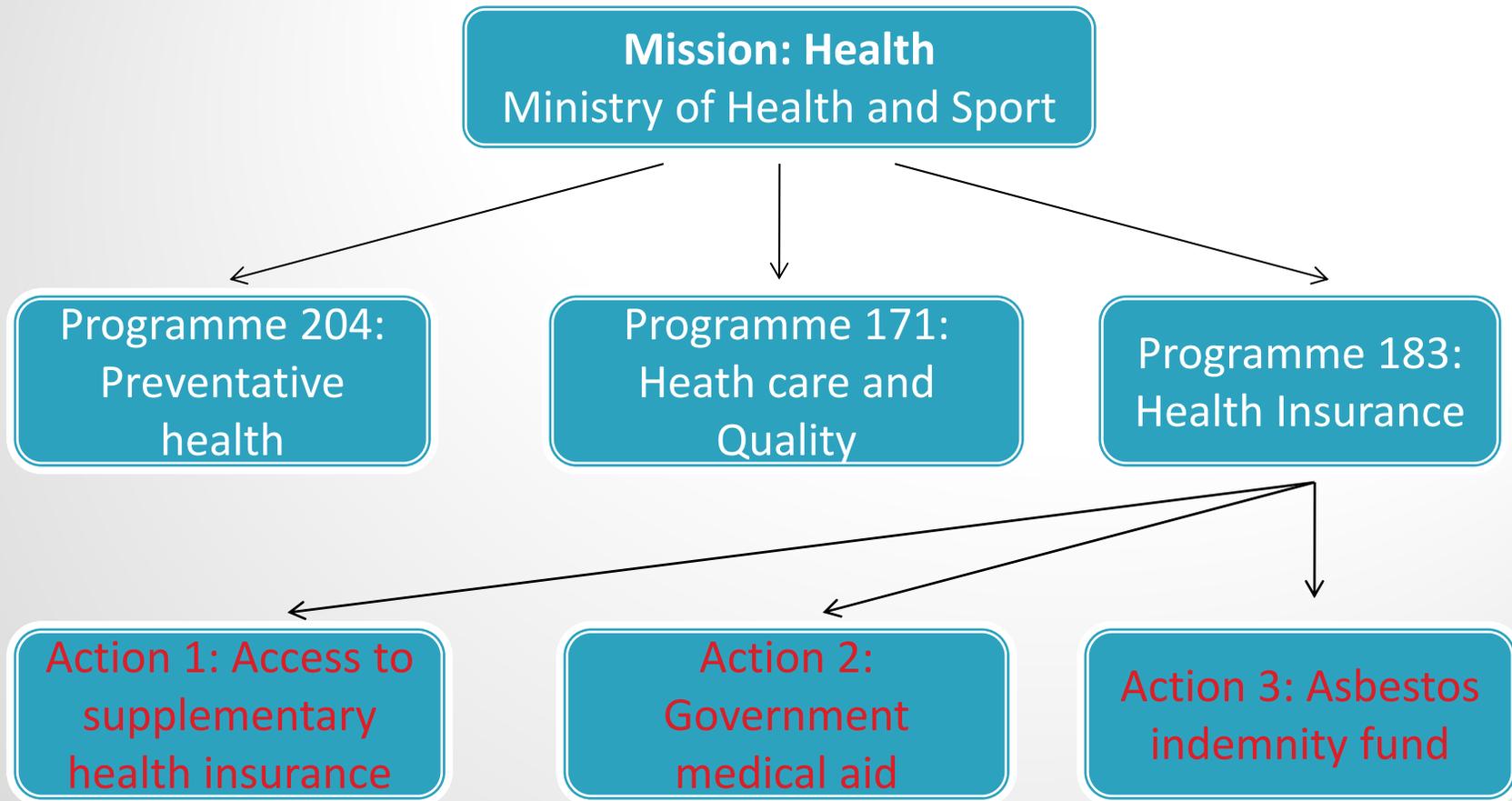
Program  
Objective  
Program C

Program  
Objective  
Program C

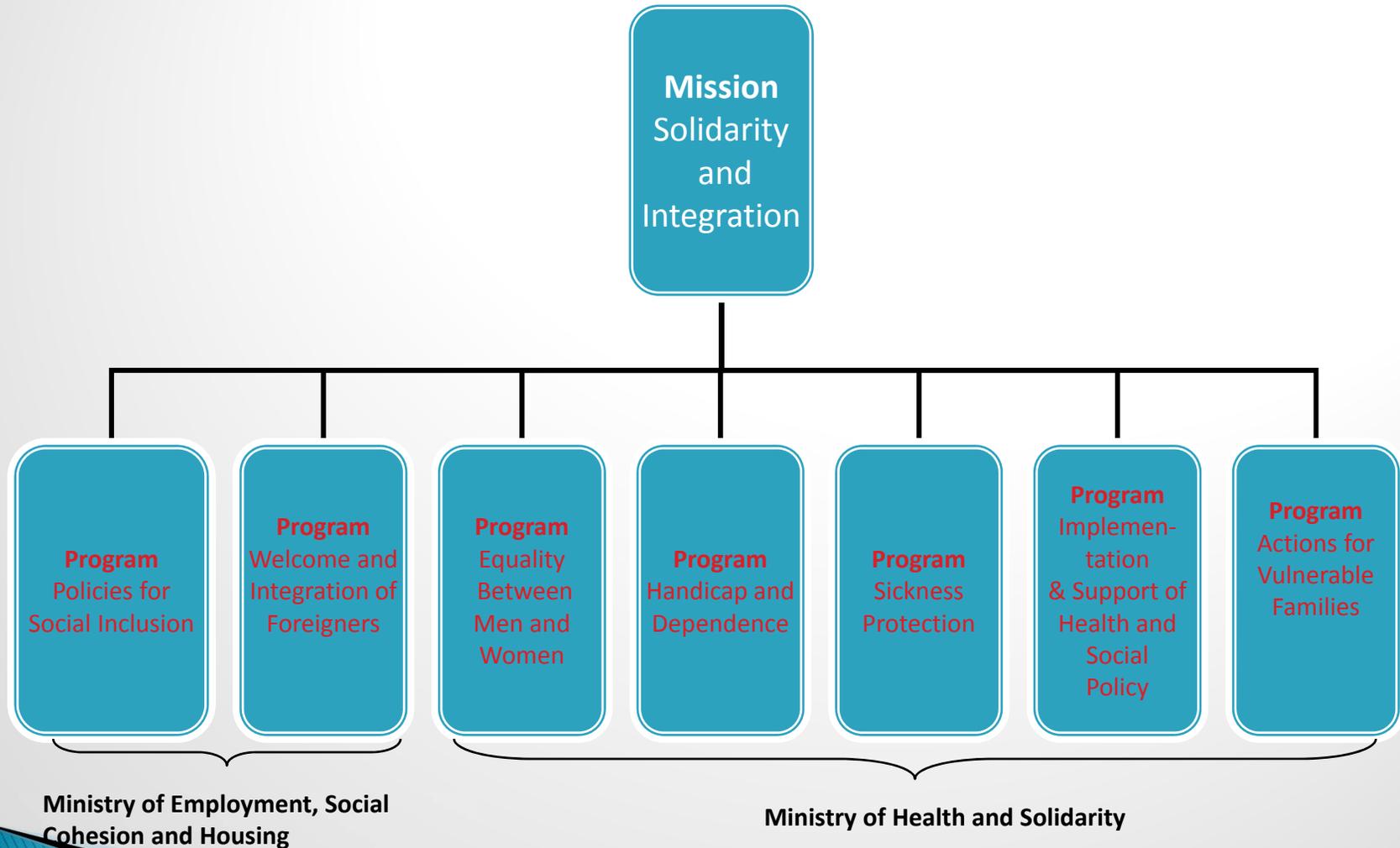
# Variants on Basic Structure

- ▶ Programs: usually top level of a hierarchy
  - Almost always within single ministry
- ▶ Sometimes higher broad policy level
- ▶ 2-3 level hierarchy in most countries:
  - Sub-programs & sub-sub-programs
  - 2 levels sufficient
  - Easier to cost and budget than three
- ▶ Terminology differs considerably
  - And often misleading: e.g. “activities”, “outcomes”, “outputs”, “sub-outputs”

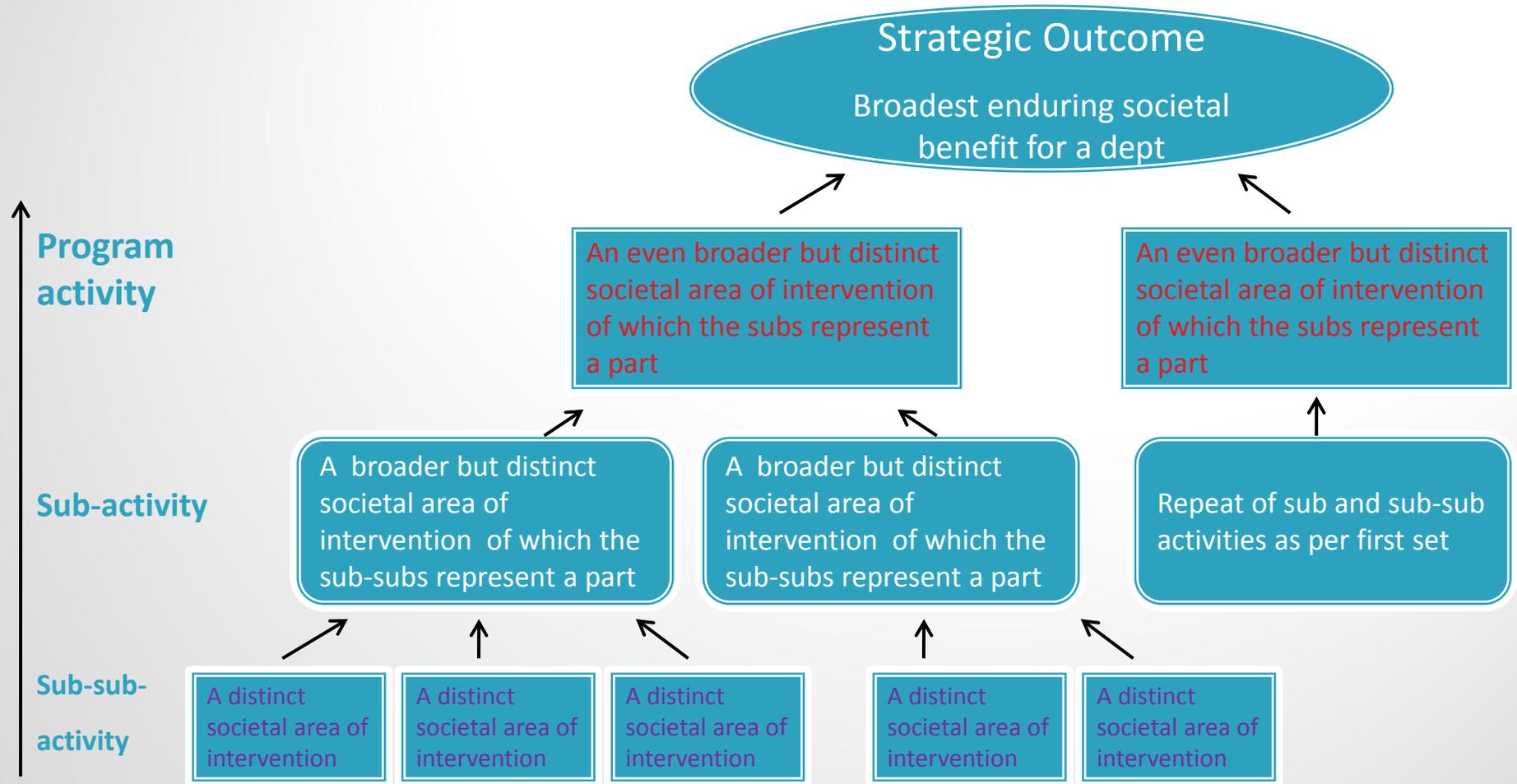
# French Example



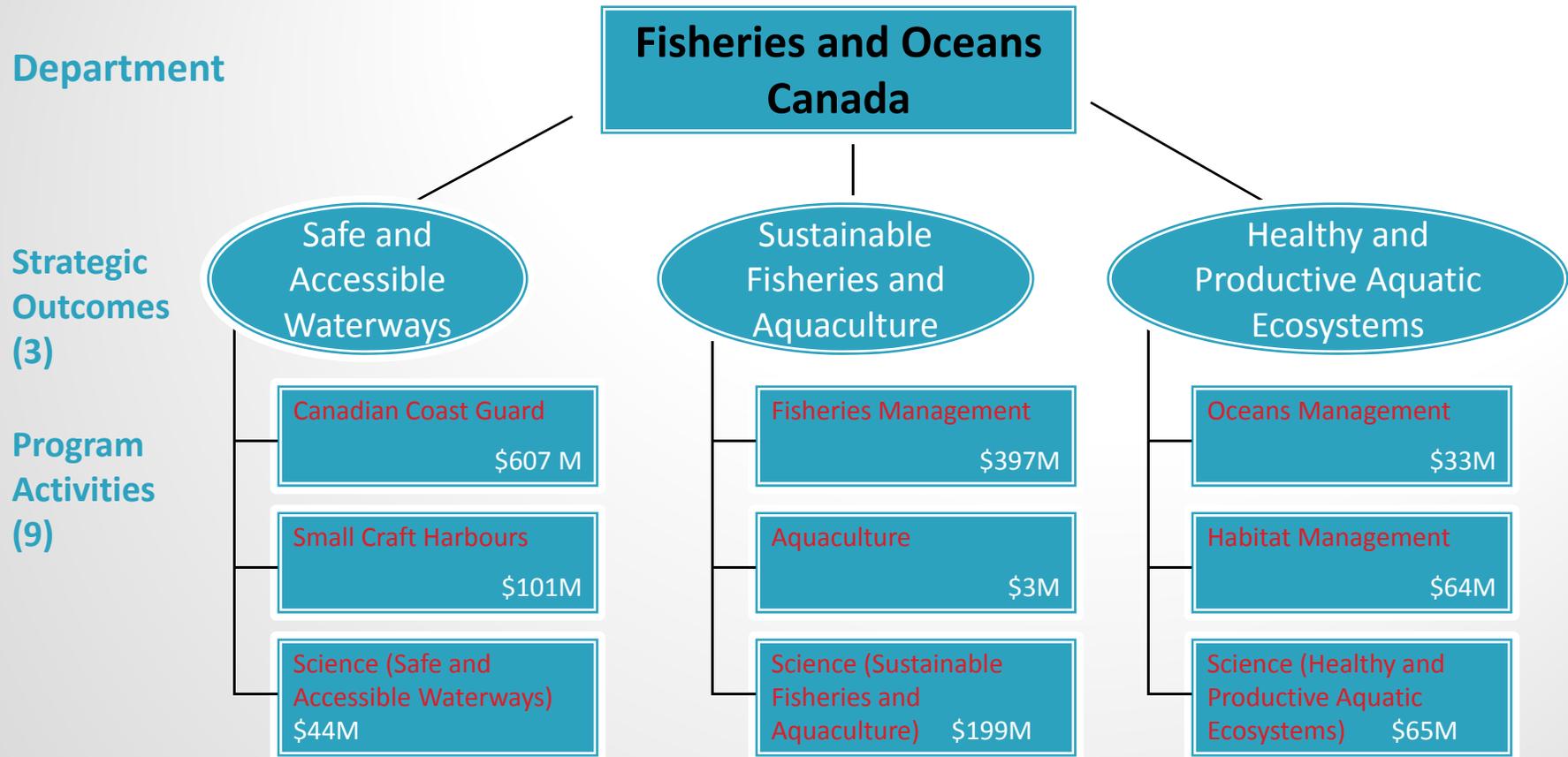
# French Missions & Ministries



# Canadian Model



# Canadian Model-continued



# Use in Budget Process

- ▶ Appropriations in budget law
  - In most countries
- ▶ Budget preparation based on programs
- ▶ Ministry budget bids program based
  - If budget preparation is “bid” based
  - Supporting info on program effectiveness
- ▶ Also a management tool
- ▶ At ministry/agency level

# Results-based Programs

- ▶ As rule, outcome-and-output-based:
  - Group of services (outputs)
  - With same intended outcome
  - Pollution program example
- ▶ Often other things in common:
  - E.g. delivery mode, client type
  - Primary school education program
- ▶ Programs as “product lines”

# Expenditure allocation to programs

- ▶ Aim: costs of program objective
- ▶ Ideally include all relevant costs
  - Costs of all staff who work on program
  - And all other inputs
- ▶ Example: school education program
  - Include all teacher salaries
  - Central ministry staff who work on school education

# Emerging Issues

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# Conclusions

- ▶ Program budget requires budget classified on programs
  - Results-based programs
- ▶ Not an input based budget
- ▶ Not an organizational budget
- ▶ Particularly not one with most expenditure under one heading
- ▶ Advantages of a simple model

**Thank you  
Questions**

# MEDIUM-TERM BUDGETING FRAMEWORKS

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*Medium-Term Budgeting  
Frameworks basics*

# Public expenditure management main goals

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- Fiscal discipline
  - Allocative efficiency
  - Operational efficiency and effectiveness
- +
- Legal compliance
  - Transparency

# What are MTBF?

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- World Bank's Public Expenditure Management Handbook (1998); *"The MTEF consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources.. in the context of the annual budget process"*.
- Possible broad definition: a set of budget practices that expands annual budget vision and decisions into a medium-term view

# What are MTBF?

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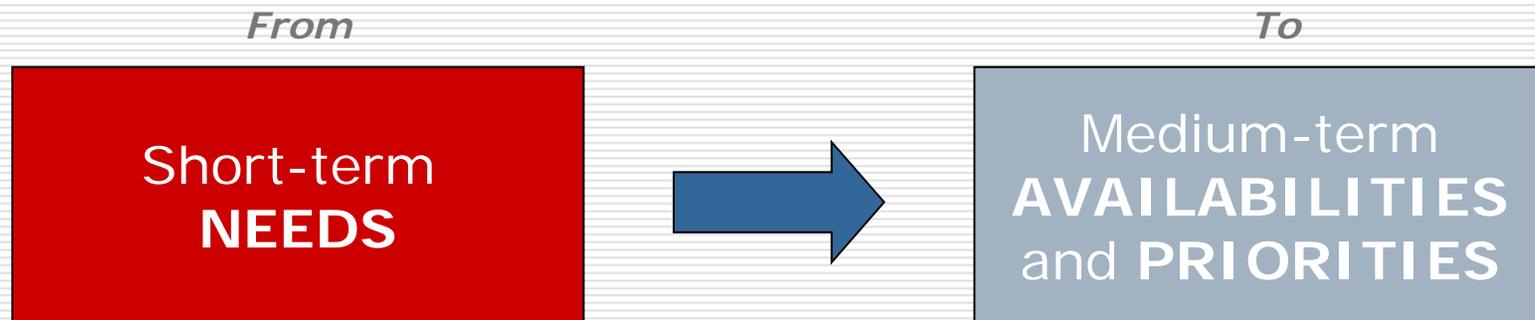
## □ Key elements

- Medium-term (3-5 years) projections of revenues and expenditures
  - Current policies (base year (current FY))
  - Annual budget decisions (annual budget process)
  - Expenditure multi-year programming
  
- Expenditure ceilings
  - Setting initial hard budget restraints according to:
    - Fiscal rules (Fiscal Responsibility Laws)
    - Government fiscal and policy strategies
    - Economic situation

# What are MTBF?

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- MTBF implies a budget cultural change



*In a initially multi-year budget restraint, prioritize in order to get the maximum public value matching the actual and future impact of budget decisions with the medium-term resource availabilities*

# MTBF goals and advantages

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- ❑ Increase fiscal discipline performance or outcomes
- ❑ Make easier public sector's stabilization function
- ❑ Assure medium-term sustainability of actual budget decisions
- ❑ Reinforce the link between Budget Programming and Government Strategic Planning
- ❑ Budget decisions focused in policy changes
- ❑ Increased budget predictability for line ministries
- ❑ More active and value-added role of line ministries
- ❑ Provide more budget transparency and visibility

# Why leave a short-term budget vision?

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- Weaknesses of annual vision budgets:
  - Myopic/short-sighted: little consideration of future impact of actual budget decisions
  - Little consideration of business cycle and potential evolution of resources/revenues
  - Weak link between allocations and priorities + results (annual budget reallocation space? (5-15%?)) with inertial - incremental decisions
  - Asymmetries and lack of information at budget requests
  - Time-consuming and low value-added budget negotiations
  - Lack of transparency and clarity of budget policy

# Medium-term vision budget types

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- Medium-term budget “projection studies”
  - Medium-term budget forecasts not fully integrated and linked with annual budget process
  
- **Medium-term budgeting frameworks**
  - **Medium-term budget vision integrated in the annual budget process**
  
- Medium-term budgets
  - Multi-year allocation of resources

# MTBF typologies

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- According to Schiavo-Campo<sup>1</sup>, there are several types of multi-year considerations of expenditures at MTBF:
  - ***Traditional planning:*** multi-year programming of expenditures but without revenue constraintment (whish list?)
  - ***Forecasting economic composition of expenditures:*** top-down rolling projections of aggregate expenditure for economic categories
  - ***Forecasting functional classification of expenditure:*** top-down rolling projections of aggregate expenditure for functional classification but for and also for each ministry and agency
  - ***Programmatic MTBF:*** revenue constrained, top-down ceilings, bottom-up programs, distinguishing ongoing and new programs and defines fiscal space for new programs

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<sup>1</sup>Medium-Term Expenditure Frameworks in developing countries: Genesis, myths, realities and way forward. IMF FAD 9 seminar October 2, 2008.

# Elements to be set in a MTBF

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- Medium-term period to be considered
  - 3, 4 or 5 years ? ( $t_{+1} - t_{+3}/t_{+4}/t_{+5}$ )
- Coverage
  - Government “core” (not including entities)
  - Administrative public sector (consolidated)
  - Public sector according to GFS, ESA, ..(consolidated)
- Ceilings
  - Annual or multi-year?
  - Strong or indicative (all or for just forward years)?
- New fiscal years inclusion
  - Fixed or rolling?
- Internal process, Government approval, Parliament approval?
- MTBF documents internal or public?

# MTBF stages\*

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- Government Goals and Priorities and Fiscal Strategy
- Medium-Term Macroeconomic Framework
- Revenue baseline projections
- Expenditure baseline projections
- Medium-Term Fiscal Framework
- Aggregate Expenditure Ceilings and Contingency/Reserve Funds
- Sectoral Expenditure Ceilings
- Budget Circular and budget requests
- Budget requests review and recommendations
- Budget negotiations and Budget/MTBF approval

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\*Considering a MTBF system totally integrated with annual budget elaboration process. Also should mentioned that can exist variants of these process or other valid MTBF approximations.

# Government goals and priorities and fiscal strategy

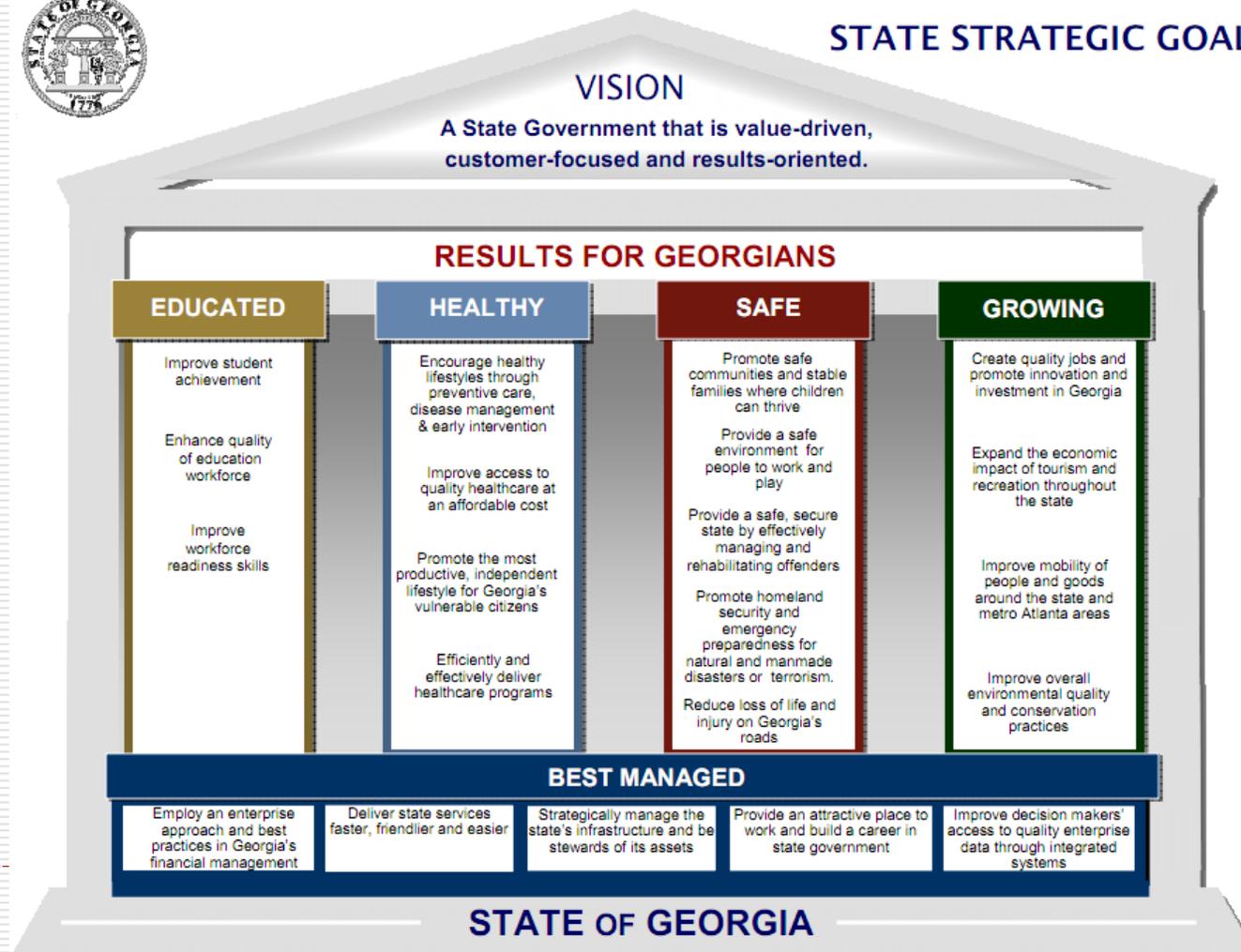
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- ❑ It's not exactly a stage, it's more the general framework of the Government in which budget decisions will be based
- ❑ Specifies for a medium-term period the Government main goals, priority sectors, programs and key results (*"Government Strategic Plan"*)
- ❑ Also concretes the main orientations of fiscal policy of the Government (tax burden, fiscal position,...) (according to actual macroeconomic forecasts and fiscal responsibility regulations (if exist))
- ❑ There should be a congruence between the Government Strategic and the fiscal policy and economic framework

# Government goals, priorities and fiscal strategy



## STATE STRATEGIC GOALS



# Medium-term macroeconomic framework

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- Medium-term forecast of macroeconomic variables that have an outstanding impact in public finances
  - Ex: GDP, CPI, GDP deflator, interest rate, unemployment rate, currency exchange rates, individual and corporate income,...
- Forecasts from  $t_{+1}$  to 2-4 forward years
- Could exist some iteration with fiscal framework/forecasts (effect of fiscal aggregates to macroeconomic (deficit & debt → growth, inflation, ...))
- Forecasts must be reliable and prudent (avoid optimism!)

# Medium-term macroeconomic framework

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- There could exist different ways to manage these forecasts:
  - In-house (Ministry of Economy and Finance)
  - External (research and independent institutions, universities, international institutions,...)
  - In-house + external
  - ...
  
- Need to test main assumptions and also use of different scenarios (sensitivity analysis ("*what if analysis*"))
  
- Need to update economic forecast if situation changes or at last two times during the MTBF/budget process (first forecast at the beginning of the process and second in the middle )

# Medium-term macroeconomic framework

<b>Table 3.2. MACROECONOMIC PROSPECTS</b>							
Chained volume indexes, year 2000 = 100, unless otherwise stated							
	ESA Code	2010 (A)		2011 (F)	2012 (F)	2013 (F)	2014 (F)
		Level	Annual change in %				
1. Real GDP	B1*g	122.7	-0.1	1.3	2.3	2.4	2.6
2. Nominal GDP. Billions of euro	B1*g	1062.6	0.8	2.6	3.8	4.1	4.5
<b>Components of real GDP</b>							
3. Private final domestic consumption expenditure <sup>1</sup>	P.3	1					
4. General Government final consumption expenditure	P.3	1					
5. Gross fixed capital formation	P.51	1					
6. Changes in inventories (% of GDP)	P.52+P.53	1					
7. Exports of goods and services	P.6	1					
8. Imports of goods and services	P.7	1					
<b>Contributions to</b>							
9. Domestic final demand	P.52 + P.53	1					
10. Changes in inventories	P.52 + P.53	1					
11. External balance	B.11	1					

<b>Table 3.3. LABOUR MARKET<sup>1</sup></b>							
	ESA Code	2010 (A)		2011 (F)	2012 (F)	2013 (F)	2014 (F)
		Level	Annual change in %				
1. Employment, persons (million)		18.7	-2.3	0.4	1.5	1.6	1.8
2. Employment, full-time equivalent (million)		17.3	-2.4	0.2	1.4	1.5	1.7
3. Labour productivity (thousands of euro)		41.2	2.2	0.9	0.8	0.8	0.8
4. Labour productivity, full-time equivalent (thousands of euro)		44.7	2.3	1.1	0.9	0.9	0.9
5. Compensation per employee <sup>(2)</sup> (thousands of euro)	D1	33.9	0.7	0.5	1.4	1.9	2.1
6. Unit Labour Cost, full-time equivalent		-	-1.5	-0.6	0.5	1.0	1.2
7. Compensation of employees (thousands of euro)		508.9	-1.5	0.8	2.9	3.5	4.0
8. Unemployment rate (% of active population)		-	20.1	19.8	18.5	17.3	16.0

<b>Table 3.4. PRICE DEVELOPMENTS</b>							
Year 2000=100							
	ESA Code	2010 (A)		2011 (F)	2012 (F)	2013 (F)	2014 (F)
		Indexes	Annual change in %				
1. GDP deflator		137.4	1.0	1.2	1.5	1.7	1.8
2. Private consumption deflator <sup>1</sup>		133.9	2.8	2.8	1.9	1.9	1.9
3. Public consumption deflator		133.4	-0.2	-0.5	1.1	1.5	1.6
4. Gross fixed capital formation deflator		137.1	2.1	1.3	1.3	1.6	1.8
5. Export deflator (goods and services)		118.0	2.7	2.3	2.2	2.1	2.0
6. Import deflator (goods and services)		112.1	6.5	4.3	2.6	2.4	2.1

Source: Spain's Stability Programme 2011-2014, Ministerio de Economía y Hacienda.

# Revenue baseline projections

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- ❑ Medium-term projections (3-5 FYs) of revenues considering actual legislation and also already future agreed changes or incomes
- ❑ A preliminary analysis of key revenues sources it's necessary (focus on key revenues)
- ❑ There should be a split between "certain" and "uncertain" revenues
- ❑ Differentiate between general fund revenues and earmarked revenues
- ❑ Critical: forecast must be objective, prudent and reliable (optimistic forecast leads to a worse fiscal position and makes MTBF and Budget less credible)

# Revenue baseline projections

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- There are several methods to conduct these projections:
  - Qualitative methods
  - Quantitative methods: extrapolative, causal,...
- Validation of forecast reliability it's mandatory
- These projections suppose a base to include the impact of tax (or other) regulations changes decisions taken before the bottom-up part of the MTBF/Budget elaboration
- Normally managed and coordinated by MoF (great sources (taxes, ..) with line ministries' support (minor sources information (fees,..))
- Need to update if new decisions or economic/fiscal situation changes

# Revenue baseline projections

**Table A2: Australian Government general government (cash) receipts**

	Actual	Estimates		Projections		
	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Individuals and other withholding taxes						
Gross income tax withholding	118,532	130,100	143,850	155,750	167,700	179,800
Gross other individuals	25,928	27,400	31,050	36,100	39,100	42,600
<i>less: Refunds</i>	24,390	24,850	27,400	28,000	30,900	33,750
Total individuals and other withholding taxation	120,070	132,650	147,500	163,850	175,900	188,650
Fringe benefits tax	3,504	3,600	3,700	4,150	4,700	5,150
Company tax	52,209	57,100	72,800	76,300	78,400	81,500
Superannuation funds	6,099	7,090	9,230	10,380	11,680	12,680
Resource rent taxes(a)	1,251	840	2,080	8,100	8,880	7,320
<b>Income taxation receipts</b>	<b>183,132</b>	<b>201,280</b>	<b>235,310</b>	<b>262,780</b>	<b>279,560</b>	<b>295,300</b>
Sales taxes						
Goods and services tax	43,967	45,779	48,482	51,890	54,850	57,560
Wine equalisation tax	733	700	750	800	830	880
Luxury car tax	472	500	510	530	560	590
Total sales taxes	45,173	46,979	49,742	53,220	56,240	59,030
Excise duty						
Petrol	6,301	5,900	5,790	5,680	5,520	5,320
Diesel	6,844	7,320	7,630	7,870	8,290	8,530
Beer	1,994	1,950	2,070	2,210	2,350	2,450
Tobacco	5,653	6,720	5,830	5,780	6,120	6,490
Other excisable products	3,647	4,180	4,950	5,390	5,870	6,330
of which: Other excisable beverages	875	900	960	1,030	1,090	1,140
Total excise duty receipts	24,439	26,070	26,270	26,930	28,150	29,120

Source: Budget Paper NO.1: Budget Strategy and Outlook, Australia Budget 2011-2012.

# Expenditure baseline projections

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- Concept: multi-year projection of the expenditures needed to maintain actual (from a base year (current FY)) “policies” and comply with commitments
  
- It’s calculus can be based on:
  - Current recurrent expenditures adjusted by inflation
  - Multi-year programmed/committed expenditures
  - Recurrent costs of investment projects to be completed
  - Expected changes in entitlement programs
  - Other considerations or adjustments
  
- Can be elaborated by the MoF and/or by line ministries (but MoF always should set guidelines and criteria!)

# Expenditure baseline projections

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- ❑ Expenditure/cost variation assumptions and criteria must be explicit
- ❑ Advisable to differentiate between mandatory/entitlement and committed spending from discretionary or “flexible” spending
- ❑ Expenditure baseline projections are useful to set aggregate and sectoral expenditure ceilings and also to verify the sustainability of actual policies and the potential fiscal space in the MTBF
- ❑ A great level of detail is not needed (ministry, subfunction/program and economic categories)

# Expenditure baseline projections

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- ❑ A sound budget information system is needed
- ❑ Can be complemented with expenditure reviews or savings plans
- ❑ Line ministries must understand that it's not a minimum or "floor" of future budget allocations!! (it's an important information to reference final budget decisions (based on policy changes))
- ❑ Do not underestimate or overestimate the expenditure needs of the baseline projections (avoid perverse incentives of line ministries)
- ❑ These projections may need an update during the MTBF/Budget elaboration process

# Expenditure baseline projections

**Table 27-10. OUTLAYS BY FUNCTION IN THE ADJUSTED BASELINE**  
(In billions of dollars)

Function	2010 Actual	Estimate										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>National Defense:</b>												
Department of Defense—Military .....	666.7	725.5	713.4	714.3	725.5	737.1	750.6	766.0	782.9	800.3	818.2	836.5
Other .....	26.9	28.0	29.7	27.6	27.7	28.0	28.6	29.1	29.8	30.4	31.1	31.6
<b>Total, National Defense .....</b>	<b>693.6</b>	<b>753.5</b>	<b>743.1</b>	<b>741.9</b>	<b>753.2</b>	<b>765.1</b>	<b>779.1</b>	<b>795.1</b>	<b>812.7</b>	<b>830.7</b>	<b>849.2</b>	<b>868.1</b>
International Affairs .....	45.2	52.9	56.2	54.7	53.5	54.8	57.0	60.0	61.3	62.5	63.9	66.6
General Science, Space, and Technology .....	31.0	33.5	32.3	33.4	32.4	32.8	33.2	34.0	35.0	35.7	36.5	37.2
Energy .....	11.6	27.2	20.3	10.9	8.1	6.8	4.6	4.3	4.6	4.8	5.0	5.0
Natural Resources and Environment .....	43.7	49.0	44.3	42.1	42.3	43.0	44.3	44.9	46.9	48.1	49.9	50.9
Agriculture .....	21.4	25.5	19.8	23.9	23.0	22.0	22.1	22.4	22.8	23.2	23.5	23.8
Commerce and Housing Credit .....	-82.3	11.2	18.3	-20.4	-24.7	-20.2	-14.8	-14.1	-16.9	-19.7	-21.5	-9.2
On-Budget .....	(-87.0)	(7.4)	(18.3)	(-20.4)	(-24.7)	(-20.2)	(-14.8)	(-14.1)	(-16.9)	(-19.7)	(-21.5)	(-9.2)
Off-Budget .....	(4.7)	(3.8)	.....	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	.....
Transportation .....	92.0	94.1	98.0	92.1	100.1	102.4	102.5	104.9	108.6	111.6	114.0	116.0
Community and Regional Development .....	23.8	25.5	25.9	21.9	18.0	17.5	17.6	17.9	18.1	18.0	18.1	18.5
Education, Training, Employment, and Social Services .....	127.7	113.5	110.9	109.0	111.4	118.4	123.8	130.0	133.7	136.4	138.8	141.0
Health .....	389.1	384.8	371.0	385.1	480.8	546.0	601.3	638.7	677.5	722.9	769.5	825.0
Medicare .....	451.6	494.3	474.2	507.6	535.9	560.5	608.0	625.2	645.0	700.3	750.8	802.0
Income Security .....	622.2	620.4	552.6	538.3	525.2	525.2	536.4	534.9	536.6	560.1	575.9	589.9
Social Security .....	706.7	733.7	766.5	808.1	853.5	902.0	954.1	1,011.2	1,071.8	1,137.0	1,206.7	1,280.5
On-Budget .....	(23.3)	(102.8)	(55.0)	(29.3)	(34.8)	(38.8)	(42.6)	(46.8)	(50.7)	(54.5)	(58.6)	(63.0)
Off-Budget .....	(683.4)	(630.9)	(711.5)	(778.7)	(818.7)	(863.3)	(911.6)	(964.4)	(1,021.2)	(1,082.5)	(1,148.1)	(1,217.6)
Veterans Benefits and Services .....	108.4	141.5	124.0	134.5	142.6	150.2	163.8	166.4	167.7	183.6	192.6	201.9
Administration of Justice .....	53.4	58.2	62.4	61.5	61.5	61.9	65.5	65.9	67.9	70.1	74.4	76.8
General Government .....	23.0	31.0	30.1	25.7	25.8	26.4	26.6	27.3	28.1	29.0	29.9	30.0
Net Interest .....	196.2	205.4	240.0	321.5	421.1	505.2	584.3	660.9	730.1	797.8	862.6	927.6

Source: Analytical Perspectives, Budget of the United States Government, Fiscal Year 2012.

# Medium-term fiscal framework

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- The MTFF will frame and set the main and aggregate MTBF/budget variables.
- Defined by fiscal rules (fiscal responsibility act (if exists)) and Government Fiscal Strategy, using macroeconomic forecasts and revenue and expenditure baseline projections
- Sets the value of key fiscal variables that will constraint the MTBF/Budget
  - Fiscal position: surplus/balance/deficit (structural or not) (% GDP)
  - Gross debt limitation (amount or % of GDP)
  - Expenditure limitation (% of growth, amount, % of GDP,..)
  - ...
- MTFF can also contain revenue and expenditure forecasts, in order to frame or set more specific constraints

# Medium-term fiscal framework

Table C6: Fiscal aggregates

	Per cent of GDP							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Receipts and expenditure</b>								
Public sector current receipts	37.2	36.6	37.2	38.0	38.4	38.7	38.8	38.7
Total managed expenditure	43.9	47.5	47.3	45.5	43.9	42.2	40.9	39.8
<b>Deficit</b>								
Surplus on current budget	-3.5	-7.5	-7.5	-5.7	-4.0	-2.3	-0.9	0.0
Public sector net borrowing	6.7	11.0	10.1	7.5	5.5	3.5	2.1	1.1
Cyclically-adjusted surplus on current budget	-3.1	-5.3	-4.8	-3.2	-1.9	-0.7	0.3	0.8
Cyclically-adjusted net borrowing	6.3	8.7	7.4	5.0	3.4	1.8	0.8	0.3
<b>Financing</b>								
Central government net cash requirement	11.3	14.1	9.9	7.8	5.5	3.8	2.0	1.1
Public sector net cash requirement	4.2	9.6	9.3	7.7	5.6	4.3	2.5	1.5
<b>Sustainability</b>								
Public sector net debt <sup>1</sup>	44.0	53.5	61.9	67.2	69.8	70.3	69.4	67.4
Net worth <sup>2</sup>	22.4	13.8	6.9	2.4	-0.8	-2.5	-2.2	-0.2
Primary balance	-5.0	-9.0	-7.4	-4.8	-2.7	-0.6	0.9	1.9
<b>Stability and Growth Pact</b>								
Treaty deficit <sup>3</sup>	6.8	11.3	10.1	7.6	5.6	3.6	2.2	1.2
Cyclically-adjusted Treaty deficit <sup>3</sup>	6.4	9.0	7.5	5.1	3.5	1.9	0.9	0.4
Treaty debt ratio <sup>4</sup>	55.8	71.2	78.9	83.6	85.5	84.9	83.1	80.4
<b>£ billion</b>								
Surplus on current budget	-49.7	-105.6	-110	-88	-65	-40	-17	0
Net investment	46.4	49.0	39	27	24	20	21	21
Public sector net borrowing	96.1	154.7	149	116	89	60	37	20
Central government net cash requirement	162.4	198.9	146	121	90	65	35	21
Public sector net debt	616.9	771.5	932	1,059	1,162	1,235	1,284	1,316
<i>Memo: Output gap (% of GDP)</i>	-1.0	-4.1	-3.7	-3.5	-2.8	-2.3	-1.6	-0.9

Source: Budget Report, Budget 2010 (United Kingdom).

Chart 1.3: Consolidation in the cyclically-adjusted current budget

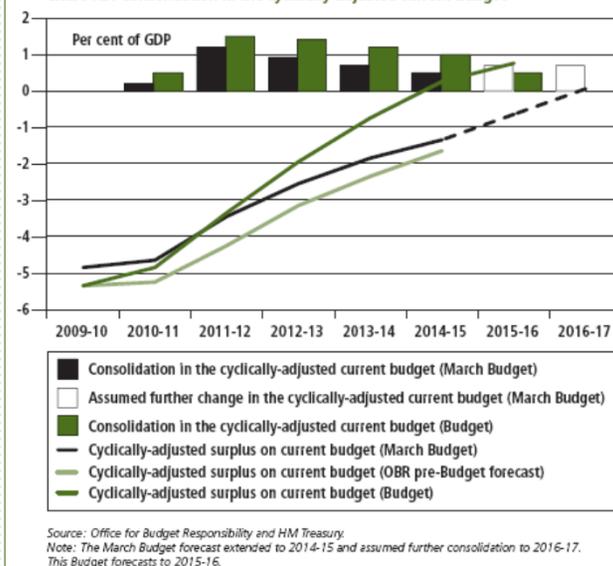
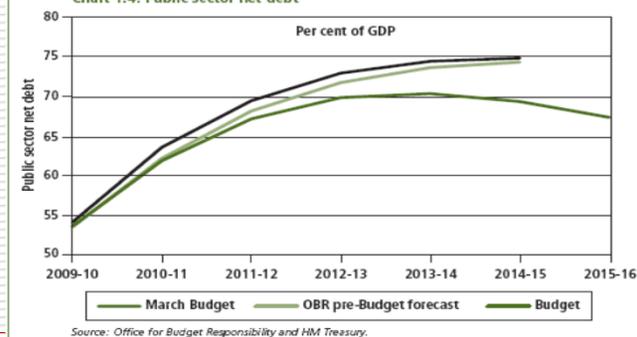


Chart 1.4: Public sector net debt



# Aggregate Expenditure Ceilings and Contingency/Reserve Funds

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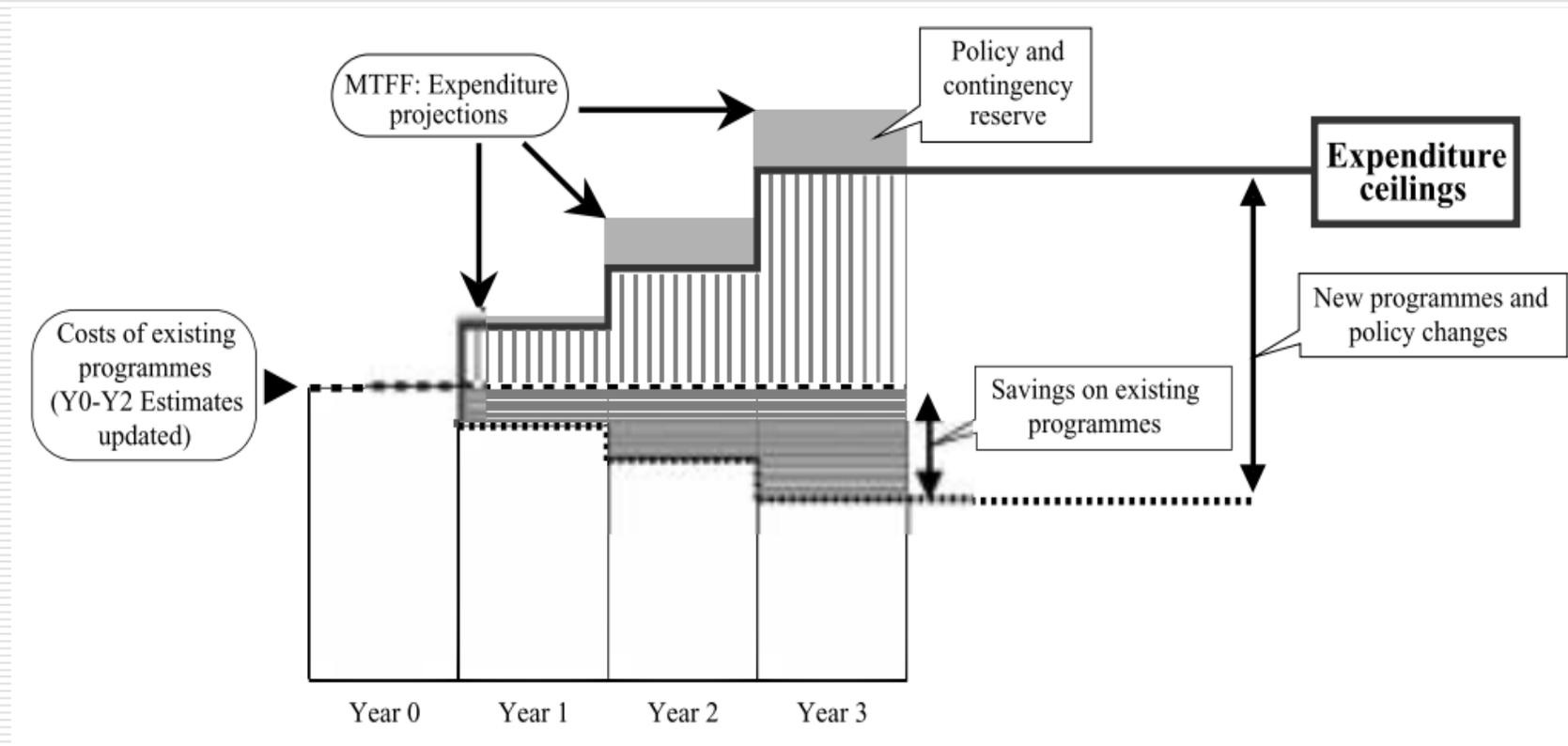
- The combination of the revenue forecasts (baseline + new decisions) and the fiscal targets (set by fiscal rules) will determine the **maximum of expenditure for a medium-term period**
- This maximum of expenditure can be separated in two parts: the Contingency/Reserve Fund and the General Expenditure Ceiling
- The **Contingency/Reserve Fund** are appropriations not allocated into policies/ministries → “budget assurance” for forecasting errors
  - Can compensate (as its value) revenue shortfalls and/or finance unexpected and urgent expenditures (ex: natural disasters).
  - The recommended amount can be around 1-3% of total expenditures or 5-15% current revenues (maybe established in budget/fiscal regulations)
  - If it's not necessary its use, it's advisable to not allocate its funds to other purposes or to decrease the stock of debt (debt repayment)

# Aggregate Expenditure Ceilings and Contingency/Reserve Funds

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- The **General Expenditure Ceiling** is the maximum of resources to allocate to ministries/policies in order to comply with fiscal targets
  
- General Expenditure Ceiling can be broken down into subgeneral ceilings:
  - For certain areas (Social Security,...) (using as a reference expenditure baseline projections)
  
  - For certain types of expenditures (debt interests, personnel, investment projects,...)

# Aggregate Expenditure Ceilings and Contingency/Reserve Funds



Source: OECD (2001): *Managing Public Expenditure: A reference book for transition countries*.

# Sectoral Expenditure Ceilings

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- ❑ Multi-year General Expenditure Ceilings is recommended to brake down into **Sectoral Expenditure Ceilings**
- ❑ Sectoral ceilings can refer to ministries or policy areas (function or subfunction). A limited/balanced number is recommended
- ❑ Sectoral ceilings can be unmodified in a medium-term period (fixed MTBFs or multi-year budgets) or updated (rolling MTBFs) every year
- ❑ At this stage, annually updated sectoral ceilings can be “strong/fixed” or “indicative”: It depends if changes after budget reviews and in budget negotiations would like to be allowed or not (value of bottom-up information)

# Sectoral Expenditure Ceilings

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- Sectoral ceilings limit budget requests (proposed annual allocations and its medium-term impact) (stops “wish lists”) and can suppose more predictability to future resource allocations (specially if are fixed and not modified annually), facilitating expenditure policies programming (multi-year sectoral plans)
- Specification of sectoral ceilings is mainly a political process. It takes considers:
  - Government policy priorities
  - Expenditure reviews/performance evaluations
  - Line ministries sectoral plans/programs
  - Expenditure baseline projections
- The establishment of these elements (general and aggregate ceilings, contingency/reserve fund) constitute the major steps of the top-down part of the MTBF/Budget elaboration process

# Sectoral Expenditure Ceilings

## BUDGET PLURIANNUEL 2009-2011 : plafonds par mission en crédits de paiement du budget général

(En milliards €)

MISSIONS	LFI 2008	PLAFONDS		
		2009	2010	2011
Action extérieure de l'État	2,35	2,54	2,57	2,54
Administration générale et territoriale de l'État	2,64	2,62	2,67	2,60
Agriculture, pêche, forêt et affaires rurales	3,39	3,48	3,15	3,03
Aide publique au développement	3,09	3,17	3,24	3,24
Anciens combattants, mémoire et liens avec la nation	3,77	3,64	3,57	3,46
Conseil et contrôle de l'État	0,50	0,53	0,56	0,57
Culture	2,76	2,78	2,80	2,82
Défense	36,87	37,21	37,89	38,55
Direction de l'action du Gouvernement	0,53	0,50	0,47	0,47
Écologie, développement et aménagement durables	9,01	9,04	8,99	8,20
Économie	1,91	1,92	1,94	1,95
Engagements financiers de l'État	42,84	45,56	47,01	48,97
Enseignement scolaire	59,05	60,30	61,96	63,24
Gestion des finances publiques et des ressources humaines	11,22	11,30	11,46	11,43
Immigration, asile et intégration	0,60	0,56	0,56	0,56
Justice	6,50	6,67	6,96	7,06
Médias	0,49	0,51	0,49	0,47
Outre-mer	1,72	1,96	2,01	2,02
Politique des territoires	0,42	0,38	0,38	0,38
Pouvoirs publics	1,01	1,04	1,05	1,07
Provisions	0,23	0,23	0,65	1,15
Recherche et enseignement supérieur	23,44	24,18	24,99	25,89
Régimes sociaux et de retraite	5,27	5,18	5,45	5,75
Relations avec les collectivités territoriales	2,35	2,24	2,28	2,33
Santé	1,10	1,18	1,19	1,21
Sécurité	15,88	16,28	16,68	17,05
Sécurité civile	0,42	0,43	0,43	0,43
Solidarité, insertion et égalité des chances	10,54	11,08	11,30	11,53
Sport, jeunesse et vie associative	0,78	0,79	0,77	0,75
Travail et emploi	12,48	11,86	10,90	10,69
Ville et logement	8,14	7,58	7,49	7,33
<b>TOTAL</b>	<b>271,28</b>	<b>276,75</b>	<b>281,88</b>	<b>286,75</b>

# Budget Circular and budget requests

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- ❑ The Central Budget Office (MoF) issues the budget circular, including expenditure ceilings notifications, guidelines about general and specific ministries priorities, instructions, forms..)
- ❑ Government ministries, after a few months of preparation, submit their budget requests to the MoF. Budget requests includes: the allocations proposal for the annual budget and its medium-term impact and also can be included some reference to their multi-year expenditure programming (which includes decisions consistent with actual ceilings an advance decisions to be taken in next FYs). Ceilings must be respected.
- ❑ Budget requests must be based on policy changes: current policies maintenance or reduction and new policy decisions or expansions.

# Budget requests review and recommendations

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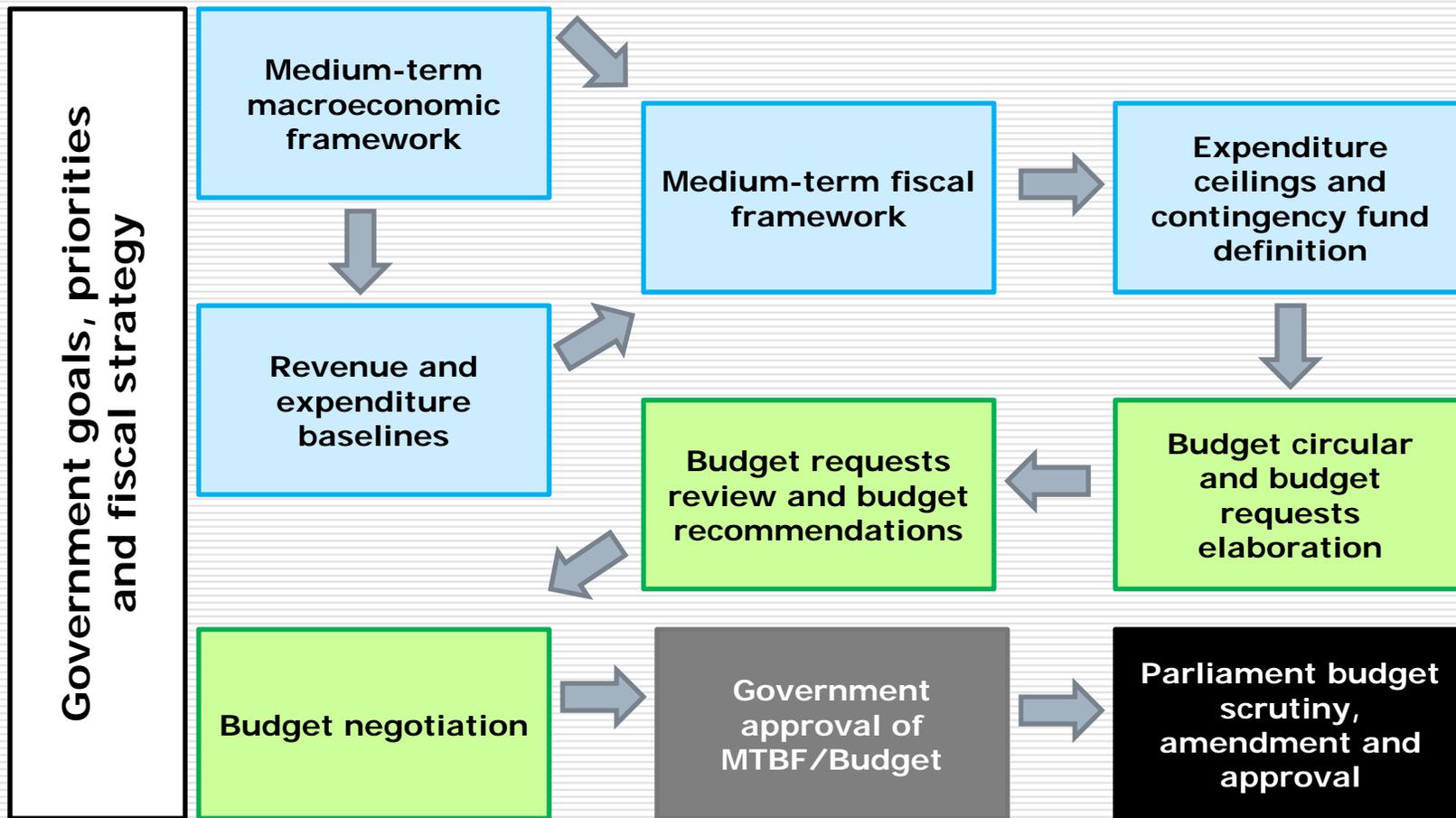
- ❑ Central Budget Office (MoF) reviews formal (guidelines compliment), strategic (priority, justification, expected performance) and financial elements (costs, financing, commitments)of ministries' budget requests
- ❑ If some requirements have not been successfully fulfilled by ministries, MoF asks for modifications or amendments
- ❑ Budget requests' review has as a main outcome a MoF's report with recommendations on allocations (between ministries' programs, output groups, projects,..). If it's the case, it could suppose little marginal variations of sectoral ceilings (if they were indicative).These reports suppose MoF's "counteroffer"

# Budget negotiations and Budget/MTBF approval

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- ❑ Bilateral or multilateral budget negotiations start with the budget requests and MoF's "counteroffers"
- ❑ Negotiations are carried out at political and senior civil office level. After several rounds an agreement is reached (or imposed)
- ❑ Final decisions sets/specifies annual allocations and its medium-term impact (and also expenditure programming?)
- ❑ MoF should guarantee that the specification of detailed annual budget estimates is consistent with final decisions
- ❑ Government approves the draft annual budget and the MTBF and submits it to the Parliament for its scrutiny, amendment and approval

# MTBF/Budget process summary



# Prerequisites, recommendations and lessons

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- ❑ Political support and internalization it's critical. Finance minister leadership it's essential to impose budget restrictions to line ministries
- ❑ Clear and explicit definition of Government's priorities is needed and also strategic planning procedures within ministries
- ❑ Need to develop budget forecasting and programming skills at the Central Budget Office and at line ministries' budget offices
- ❑ Sound and adapted budget IT systems are needed
- ❑ Accurate budget accounts structures, procedures and internal controls is necessary (basics must be Ok)

# Prerequisites, recommendations and lessons

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- ❑ Previous integrated budgeting system is needed: no dual budgeting (operating and capital expenditures must be integrated)
- ❑ Need for specific and updated budget information to make possible expenditure baseline projections (commitments, multi-year contracts/projects, one-off expenditures, entitlement programs, ...)
- ❑ Macroeconomic and fiscal forecasting capacities are critical
- ❑ Adapted (to specific country context) fiscal responsibility laws and fiscal rules is highly recommended to frame MTBF/Budget
- ❑ Rolling systems may be preferable for developing countries

# Prerequisites, recommendations and lessons

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- ❑ Consideration at least of the most part of government operations (excluding entities?)
- ❑ Public finance regulations that institutionalizes MTBF are recommended
- ❑ Revenue stability makes easier forecasting efforts and MTBF implementation
- ❑ Macroeconomic and revenue forecasting must be reliable and prudent (critical!)
- ❑ Baseline projections should not underestimate or overestimate expenditure needs
- ❑ MTBF must be fully integrated in the annual budget elaboration process (requests and decisions must be multi-year based)

# Prerequisites, recommendations and lessons

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- ❑ Initial budget constraints must be imposed in a annual and multi-year way (create a budget restriction climate)
- ❑ Longer budget calendars are required (8-10 months (included “parliament stage”))
- ❑ Line ministries should understand that baseline projections and medium-term ceilings are not “floors” or “minimum levels” of future allocation of resources
- ❑ MTBF system and concepts must be clearly understood by its main participants and also by other stakeholders
- ❑ It’s recommendable, once MTBF system is consolidated, to publish it along with annual budget documentation

# Prerequisites, recommendations and lessons

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- ❑ Performance budgeting isn't mandatory but advisable
- ❑ Design and reform pacing/sequencing strategy is needed
- ❑ Initial pilot projects use to be preferable to "big bang" reforms or implementations (learning by doing)
- ❑ MTBF design must be feasible with actual and potential budget procedures, staff skills and political commitment. Implementation rule: Keep it simple!!
- ❑ First steps can be done by estimating and incorporating some multi-year information of annual budget decisions (investment projects, multi-year commitments,..) and by improving macroeconomic and revenue forecasting practices

# MEDIUM-TERM BUDGETING FRAMEWORKS

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*Review of Medium-Term Budgeting  
Frameworks experiences*

# Review of MTBF experiences

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- Sweden
- United Kingdom
- Spain
- South Africa

# Sweden

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- ❑ Early 90's big fiscal crisis oriented the introduction of budget reforms to increase fiscal discipline and efficiency and effectiveness at resources allocation and use
- ❑ Enactment of the State Budget Act in 1996 and start of the Swedish MTBF system in 1997
- ❑ Swedish MTBF system: a top-down and rolling model that considers a 3 year period (every year an additional year it's included, but the first two years are relatively fixed)
- ❑ System based on multi-year nominal expenditure ceilings
- ❑ Expenditure ceilings cover all expenditures in central government and in pension system, excluding debt interests

# Sweden

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- ❑ It's voluntary for the government to use the ceilings (but likely to be mandatory). If Government decides to use ceilings it's obligated to make sure the ceilings is not exceeded\*
- ❑ Budget margins definition along with expenditure ceilings
- ❑ Central government should run a budget surplus (1% of GDP) in the business cycle and local governments a balanced budget
- ❑ Medium-term economic forecasts (elaborated by MoF, based on independent forecasts of the Economic Research National Institute)
- ❑ Medium-term revenue forecasts are elaborated by MoF (Fiscal Affairs and Tax Forecasting divisions)

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\*Bergstrand K., and Olofsson, R. (2010): *Fiscal rules and budget process in Sweden*. Session of the course Medium-Term Budgeting at the Center of Excellence in Finance.

# Sweden

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- ❑ There are 27 3-year sectoral expenditure ceilings (based on policy areas)
- ❑ Medium-term expenditure projections are made by line ministries under MoF guidance (indexation, wages growth,...) and review, which differentiates between ongoing policies and new initiatives
- ❑ In order to increase pressure on efficiency, a productivity index is deducted from indexation in ongoing policy administrative expenditures\*
- ❑ Two main steps/documents in the budget process:
  - Spring Fiscal Policy Bill (April): sets aggregate policy priorities, macroeconomic projections, fiscal targets, budget baseline projections and first assessment for the ceiling for the new forward year

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\*Bergstrand K., and Olofsson, R. (2010): *Fiscal rules and budget process in Sweden*. Session of the course Medium-Term Budgeting at the Center of Excellence in Finance.

# Sweden

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- Budget Bill (September): contains the draft annual budget documents (with annual allocations and forward estimates information), detailed appropriations for the 27 expenditure areas, explicit exposition of budget policy changes, the final proposal for the  $t_{+3}$  ceiling and the updated (if proper) sectoral ceilings for  $t_{+2}$  and  $t_{+3}$
- Government discusses and approves in a multilateral way the sectoral ceilings and the room and priorities for policy changes
- Swedish Parliament (*Riksdag*) can modify annual allocations to expenditure areas, but should comply with aggregate expenditure ceilings. Once decided expenditure areas allocations, program allocation decisions must comply with the mentioned expenditure areas allocations
- Ceilings compliance and fiscal targets (cyclically and non-cyclically adjusted) are monitored and evaluated

# United Kingdom

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- ❑ Long previous experience relating introducing a medium-term perspective on budgeting (60-70's multi-year expenditure surveys)
- ❑ Actual MTBF system established at 1997 (new Government took office). The UK model is known as "Spending Review" system
- ❑ The Code for Fiscal Stability (1998) set the main UK's fiscal responsibility regulated elements: "Golden rule", "Sustainable investment rule" and the requirement to elaborate "Pre-Budget Reports"
- ❑ UK's model is a top-down system based on a 3 year (2+1) multi-year fixed allocations (ceilings) (global and at ministry level). Every 2-3 years a Spending Review (SR) is conducted, reviewing expenditure policies, setting 3 year allocations/ceilings and agreeing with ministries a performance targets/goals known as Public Service Agreements (PSA)

# United Kingdom

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- ❑ In 1998 and 2007 instead of Spending Reviews, Comprehensive Spending Reviews (CSR) were conducted
- ❑ UK's allocations are divided between "resource" (current expenditures on accrual basis) and "capital" appropriations
- ❑ UK's allocations are divided between:
  - Departmental Expenditure Limits (DEL): maximum of expenditures / allocations for every department/agency established in a fixed way for a 3-year period (CSR/SR). The expenditures covered by these multi-year fixed ceilings account around 60% of total spending
  - Annually Managed Expenditures (AME): expenditure because its nature (volatile and demand driven) are managed annually and not covered by ceilings (Social Security, debt interest, local governments' transfers,..)
- ❑ Ministries are responsible for DEL ceilings compliance
- ❑ Reserves/margins to face forecasting errors and unexpected needs

# United Kingdom

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- End-year flexibility mechanism: a system that allows to incorporate to next fiscal years all the resources not consumed in a ended FY (and even to anticipate future appropriations to current FY)
- Ministries counted with a big managerial and budget flexibility in order to achieve PSA (outcome-focused) goals/targets. PSAs were operationally broken down into Service Delivery Agreements (SDA)
- MoF (HM Treasury) is the main responsible of the system:
  - HM Treasury elaborates the medium-term revenue forecasts with collaboration of the HM Revenue and Customs
  - HM Treasury sets multi-year ceilings considering the fiscal framework, *Cabinet Committee on Public Expenditures guidelines and ministries' budget proposals/requests*)
- New UK's Coalition Government has maintained CSR/SR system, but abandoned PSAs and also created an independent fiscal institution (Office for Budget Responsibility)

# United Kingdom

Table 1: Departmental Programme and Administration Budgets (Resource DEL excluding depreciation<sup>1</sup>)

	£ billion				
	Baseline <sup>2</sup>	Plans			
	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Departmental Programme and Administration Budgets</b>					
Education <sup>3</sup>	50.8	51.2	52.1	52.9	53.9
NHS (Health)	98.7	101.5	104.0	106.9	109.8
Transport	5.1	5.3	5.0	5.0	4.4
CLG Communities <sup>4</sup>	2.2	2.0	1.7	1.6	1.2
CLG Local Government <sup>5</sup>	28.5	26.1	24.4	24.2	22.9
Business, Innovation and Skills	16.7	16.5	15.6	14.7	13.7
Home Office <sup>6</sup>	9.3	8.9	8.5	8.1	7.8
Justice	8.3	8.1	7.7	7.4	7.0
Law Officers' Departments	0.7	0.6	0.6	0.6	0.6
Defence	24.3	24.9	25.2	24.9	24.7
Foreign and Commonwealth Office	1.4	1.5	1.5	1.4	1.2
International Development	6.3	6.7	7.2	9.4	9.4
Energy and Climate Change	1.2	1.5	1.4	1.3	1.0
Environment, Food and Rural Affairs	2.3	2.2	2.1	2.0	1.8
Culture, Media and Sport <sup>7</sup>	1.4	1.4	1.3	1.2	1.1
Olympics <sup>8</sup>	-	0.1	0.6	0.0	-
Work and Pensions	6.8	7.6	7.4	7.4	7.6
Scotland <sup>9</sup>	24.8	24.8	25.1	25.3	25.4
Wales <sup>9</sup>	13.3	13.3	13.3	13.5	13.5
Northern Ireland <sup>9</sup>	9.3	9.4	9.4	9.5	9.5
HM Revenue and Customs	3.5	3.5	3.4	3.4	3.2
HM Treasury	0.2	0.2	0.2	0.2	0.1
Cabinet Office <sup>10</sup>	0.3	0.4	0.3	0.2	0.4
Single Intelligence Account 11	1.7	1.7	1.7	1.7	1.8
Small and Independent Bodies <sup>12</sup>	1.8	1.8	1.6	1.5	1.4
Reserve	2.0	2.3	2.4	2.5	2.5
Special Reserve	3.4	3.2	3.1	3.0	2.8
Green Investment Bank	-	-	-	1.0	-
<b>Total</b>	<b>326.6</b>	<b>326.7</b>	<b>326.9</b>	<b>330.9</b>	<b>328.9</b>

Table 2: Departmental Capital Budgets (Capital DEL)

	£ billion				
	Baseline <sup>1</sup>	Plans			
	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Capital DEL</b>					
Education	7.6	4.9	4.2	3.3	3.4
NHS (Health)	5.1	4.4	4.4	4.4	4.6
Transport	7.7	7.7	8.1	7.5	7.5
CLG Communities	6.8	3.3	2.3	1.8	2.0
CLG Local Government	0.0	0.0	0.0	0.0	0.0
Business, Innovation and Skills	1.8	1.2	1.1	0.8	1.0
Home Office	0.8	0.5	0.5	0.4	0.5
Justice	0.6	0.4	0.3	0.3	0.3
Law Officers' Departments	0.0	0.0	0.0	0.0	0.0
Defence	8.6	8.9	9.1	9.2	8.7
Foreign and Commonwealth Office	0.2	0.1	0.1	0.1	0.1
International Development	1.6	1.4	1.6	1.9	2.0
Energy and Climate Change	1.7	1.5	2.0	2.2	2.7
Environment, Food and Rural Affairs	0.6	0.4	0.4	0.4	0.4
Culture, Media and Sport	0.2	0.2	0.2	0.1	0.1
Olympics <sup>2</sup>	1.0	1.1	0.2	0.0	-0.1
Work and Pensions	0.2	0.2	0.3	0.4	0.2
Scotland <sup>3</sup>	3.4	2.5	2.5	2.2	2.3
Wales <sup>3</sup>	1.7	1.3	1.2	1.1	1.1
Northern Ireland <sup>3</sup>	1.2	0.9	0.9	0.8	0.8
HM Revenue and Customs	0.2	0.3	0.1	0.1	0.1
HM Treasury	0.0	0.1	0.0	0.0	0.0
Cabinet Office	0.0	0.0	0.0	0.1	0.0
Single Intelligence Account 4	0.3	0.4	0.3	0.3	0.3
Small and Independent Bodies	0.1	0.1	0.1	0.1	0.1
Reserve	2.1	1.0	1.0	1.0	1.1
Special Reserve	0.7	0.7	0.8	0.8	0.8
<b>Total Capital DEL</b>	<b>51.6</b>	<b>43.5</b>	<b>41.8</b>	<b>39.2</b>	<b>40.2</b>

Source: Spending Review 2010, HM Treasury.

# Spain

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- ❑ Legal framework established by the Stability and Growth Pact, the General Budget Act (2003) and the General Budget Stability Act (reformed at 2011)
- ❑ Spain's MTBF consists on a 3-year rolling system
- ❑ 3-year rolling fiscal targets (in terms of the European System of Accounts (ESA)) aggregate and broken down to Central Government, Social Security, Autonomous Communities (regional/state governments) and Local Governments. Until 2011, fiscal targets were based on surplus/deficit targets, now are based on expenditures
- ❑ Until 2011, annual expenditure ceiling for the Central Government (approved at the Congress). From 2011, 3-year expenditure ceilings at every level of government

# Spain

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- MTBF covers Central Government administrative public sector
- Spanish macroeconomic framework set by the *Report on the Cyclical Situation of Spanish Economy* (Spring), elaborated by MoF with consultation to the Bank of Spain and the National Statistics Institute, and considering forecasts made by the European Commission and the European Central Bank
- The fiscal framework main targets until 2011 were set considering macroeconomic framework and defining surplus/deficit targets depending on the output gap/cyclical situation
  - If forecasted real GDP growth  $> 3\%$   $\rightarrow$  surplus target
  - If forecasted real GDP growth  $> 2$  and  $< 3\%$   $\rightarrow$  balance target
  - If forecasted real GDP growth  $< 2$   $\rightarrow$  deficits targets can be allowed
- From 2011, fiscal framework main targets will be based on expenditure growth limitation (potential nominal GDP growth as maximum (9 years real GDP growth average + 1,75 as a potential deflator))

# Spain

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- Revenue Commission (composed by the directors of the State Secretary of Public Finance, Secretary of Budget and Expenditures, Tax Agency, Directorate-General of Budget, Internal Audit Office)) elaborates the medium-term revenue forecasts
- Medium-term expenditure forecasts are elaborated by MoF considering the information submitted by ministries:
  - Expenditure projections by program, unit and line item/object class, specification of the goals to be achieved with projected resources, expenditures already committed and expenditures linked to the approval of new regulations to be passed
- With these information, MoF estimates the medium-term allocation of resources taking into consideration established priorities and internal specific limitations of expenditure growth
- The MTBF will be a main reference to the annual budget elaboration

# Spain

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- The ministries' budget requests for the annual budget should:
  - Comply with the approved expenditure ceiling
  - Be congruent with:
    - Government policy priorities
    - Recommendations elaborated by the Expenditure Policy Commission and the Program Analysis Commissions
    - Allocations distribution by policies defined in the MTBF
  
- Spain's MTBF is not published, only macroeconomic forecasts, fiscal targets and the related circulars and forms for its elaboration

# South Africa

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- ❑ Substantial economic and public expenditure management reforms taken since mid-90's.
- ❑ Coordination and integration of three levels of government (national, provincial and local). MTBFs considers national government, provincial governments and public entities
- ❑ Rolling MTBF system that covers a 3-year period: macroeconomic forecasts, fiscal targets and framework, revenue forecasts and forward estimates
- ❑ No differentiation between MTBF and annual budget process (integrated, not a separate exercise) → "MTBF final product is the national budget"
- ❑ Current and capital expenditures integrated in the MTBF

# South Africa

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- ❑ Strategic and performance approach of MTBF: integrated with performance budgeting (expenditure policy prioritization, specification of expected results,..). National policy priorities are identified by the Cabinet at the beginning of the budget process (spending priorities memorandums, ministerial letters)
- ❑ Credible macroeconomic and revenue forecasts to assure predictability of funding to ministries → forecasts published in pre-budget reports and debated in public forums
- ❑ Top-down approach: budget requests competing for resources of previously established expenditure envelopes
- ❑ Definition of a contingency reserve → to cover uncertainty and to allocate funding for new spending priorities

# South Africa

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- ❑ Expenditure baselines elaborated by line ministries according to Treasury's guidelines (ex: general and specific inflation values to consider) and forms.
- ❑ Expenditure baselines are revised annually, starting from previous MTBF baselines
- ❑ Initially ministries can only fund new policies by requesting additional resources to the Cabinet in the budget process or by finding savings in their baselines (efficiency, reallocations)
- ❑ Policy changes/new policies are evaluated by Treasury-Medium-Term Expenditure Committees in order to advice the Cabinet (Ministers' Committee on Budget)

# South Africa

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- Medium-term Budget Policy Statement (submitted to the Parliament at the end of October (4 months prior to the “budget day”) includes the following contents:
  - Fiscal and budget strategy
  - Budget priorities
  - Budget ceilings consolidation
  - Vertical and horizontal division of revenue and expected functional and economic spending allocations
  
- The main annual budget documentation shows detailed annual allocations (by “Vote” with brake down by programs, subprograms, line-item/object class,..) and medium-term forward estimates and also the related strategy and performance targets and measures

# South Africa

## Health

### Budget summary

R million	2011/12				2012/13	2013/14
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
<b>MTEF allocation</b>						
Administration	326.1	318.0	0.4	7.7	325.3	344.4
Health Planning and Systems Enablement	160.8	157.5	0.4	2.9	178.0	189.8
HIV and AIDS, TB and Maternal, Child and Women's Health	8 026.5	357.6	7 664.7	4.2	9 377.1	11 188.2
Primary Health Care Services	730.0	123.4	593.0	13.6	143.0	150.1
Hospitals, Tertiary Services and Workforce Development	15 962.7	97.1	15 864.3	1.3	17 015.8	17 663.7
Health Regulation and Compliance Management	525.4	155.8	366.4	3.2	571.6	600.5
<b>Total expenditure estimates</b>	<b>25 731.6</b>	<b>1 209.3</b>	<b>24 489.3</b>	<b>32.9</b>	<b>27 610.8</b>	<b>30 136.7</b>

# Performance Budgeting

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*Introduction to  
Performance Budgeting*

# Public expenditure management main goals

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- Fiscal discipline
  - Allocative efficiency
  - Operational efficiency and effectiveness
- +
- Legal compliance
  - Transparency

# Previous main budgeting techniques

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- ❑ Input-based/Line item budgeting
- ❑ “Old” performance budgeting
- ❑ Planning programming budgeting system
- ❑ Zero-based budgeting

# Limitations of traditional input-based/line item budgeting

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- ❑ Incrementalism
- ❑ Weak or no link between government strategy/priorities/goals and resources
- ❑ Controls and accountability only based in inputs and expenditure legal compliance
- ❑ Information based in inputs and units (economic and organic classifications), lacking key managerial information (outputs, costs, outcomes,...)
- ❑ No incentives to save money/efficiency (if you don't spend it you don't need it) ("December fever")
- ❑ Short-term/annual perspective
- ❑ Weak accountability systems (internal and to Parliament and citizens)

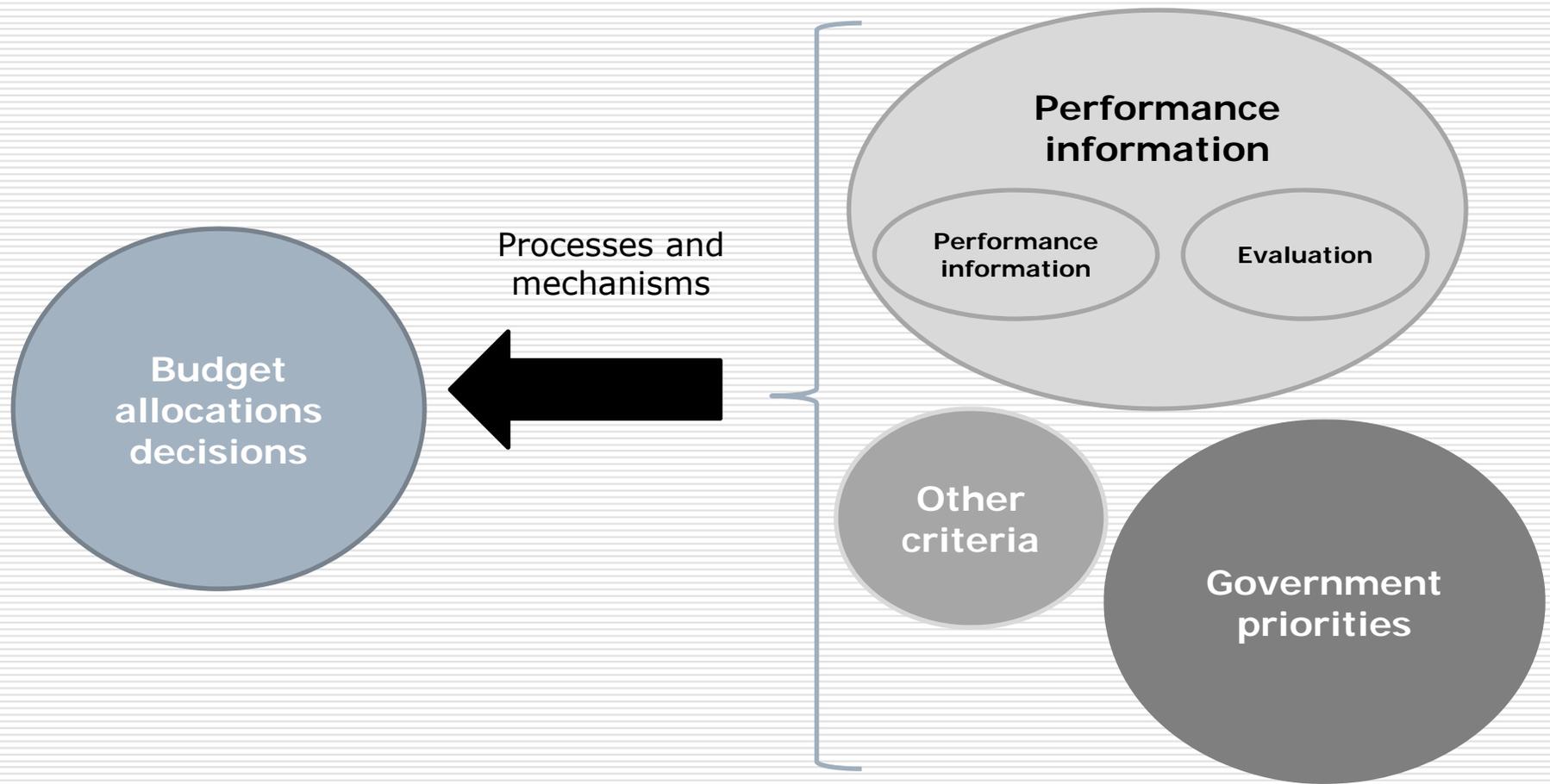
# What's performance budgeting?

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- <sup>1</sup>It refers to public sector funding mechanisms and processes designed to strengthen the linkage between funding and results (outcomes and outputs), through the systematic use of formal performance information, with the objective of improving the allocative and technical efficiency of public expenditure
- Performance information means information related on the results (outcomes/impacts and outputs/production) achieves by public expenditures and the costs (efficiency view) of achieving these results

# What's performance budgeting?

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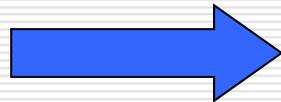
# Input-based vs performance budgeting

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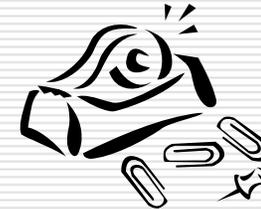
Input-based budgeting: What do we “buy” with budget resources?



Wages



Office stationery



Capital investments



# Input-based vs performance budgeting

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Performance budgeting: What do we want to “achieve” with budget resources?



Reduce child mortality



Improve students' literacy



Reduce road accidents



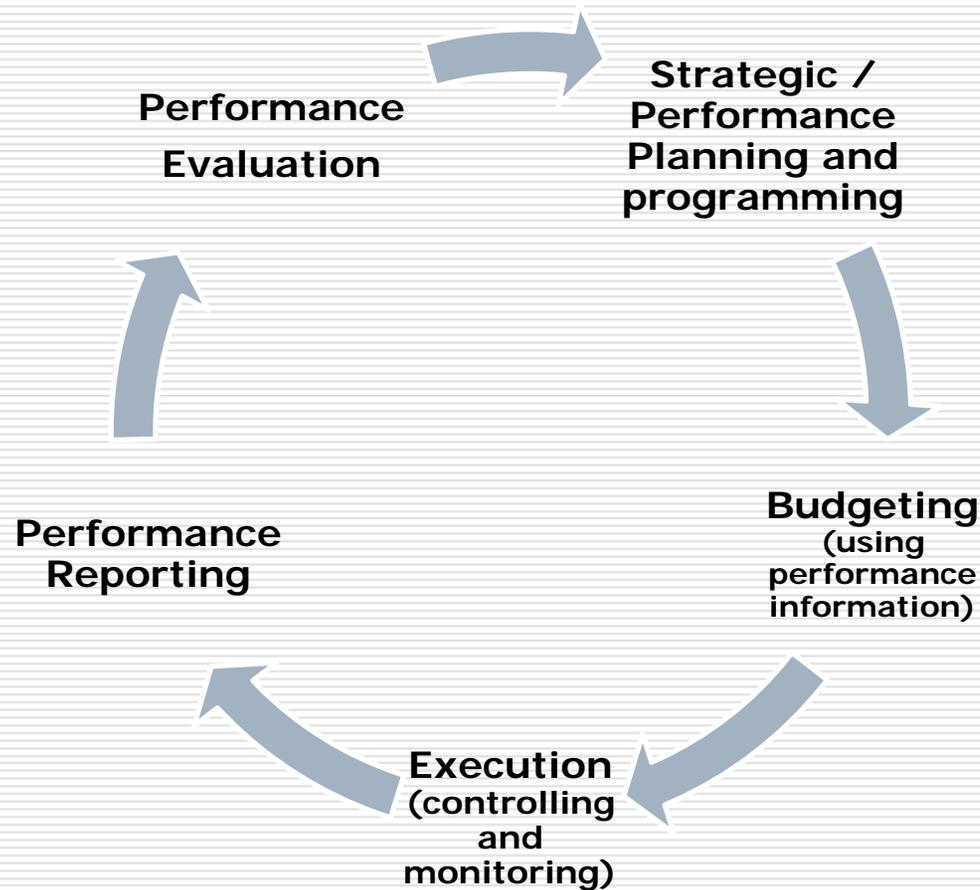
# Why performance budgeting?

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- ❑ Rational incremental/decremental budgeting
- ❑ Increases allocative efficiency → scarce resources allocated to priority and performing programs/outputs
- ❑ Improvement of the economy, efficiency and effectiveness of public sector operations → managing by results and rationality
- ❑ Better expenditure planning and programming
- ❑ Promotes and incentives organizational constant improvement and learning
- ❑ Increases transparency and accountability

# Performance budgeting/management cycle

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# Performance budgeting models/mechanisms

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<b>Models/mechanisms</b>	
<b>Program budgeting</b>	Uses information about the costs and benefits of the objective-based (“program”) expenditure categories for expenditure prioritization
<b>Funding-linked performance targets</b>	Seek to link the level of funding to result targets (quantitative statements of the output and/or outcome the agency is expected to deliver)
<b>Agency-level budgetary performance incentives</b>	Aim to motivate agencies to perform better by rewarding agencies financially for good performance (and possibly also by financially sanctioning unsatisfactory performance)
<b>Formula funding</b>	An explicit function of measures expected and/or actual results (usually outputs, but sometimes outcomes)

# Types of relations between funding and results information

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Types	
<b>Presentational</b>	There's no formal mechanism to integrate performance information results and budget allocations decisions
<b>Indirect link</b>	Performance information is used as a reference along with other criteria to budget allocation processes
<b>Direct link</b>	Explicit and direct link between performance information and allocation of resources (applicable to concrete sectors, programs or services)

# Performance information and resources indirect link matrix

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		Program performance information	
		High performance/ results	Low performance/ results
Program priority	High priority	$\Delta$ allocated resources?	Program redesign / modification ?
	Low priority	Maintain or reduce allocated resources?	Program reduction or termination?

# Main uses of performance information in performance budgeting

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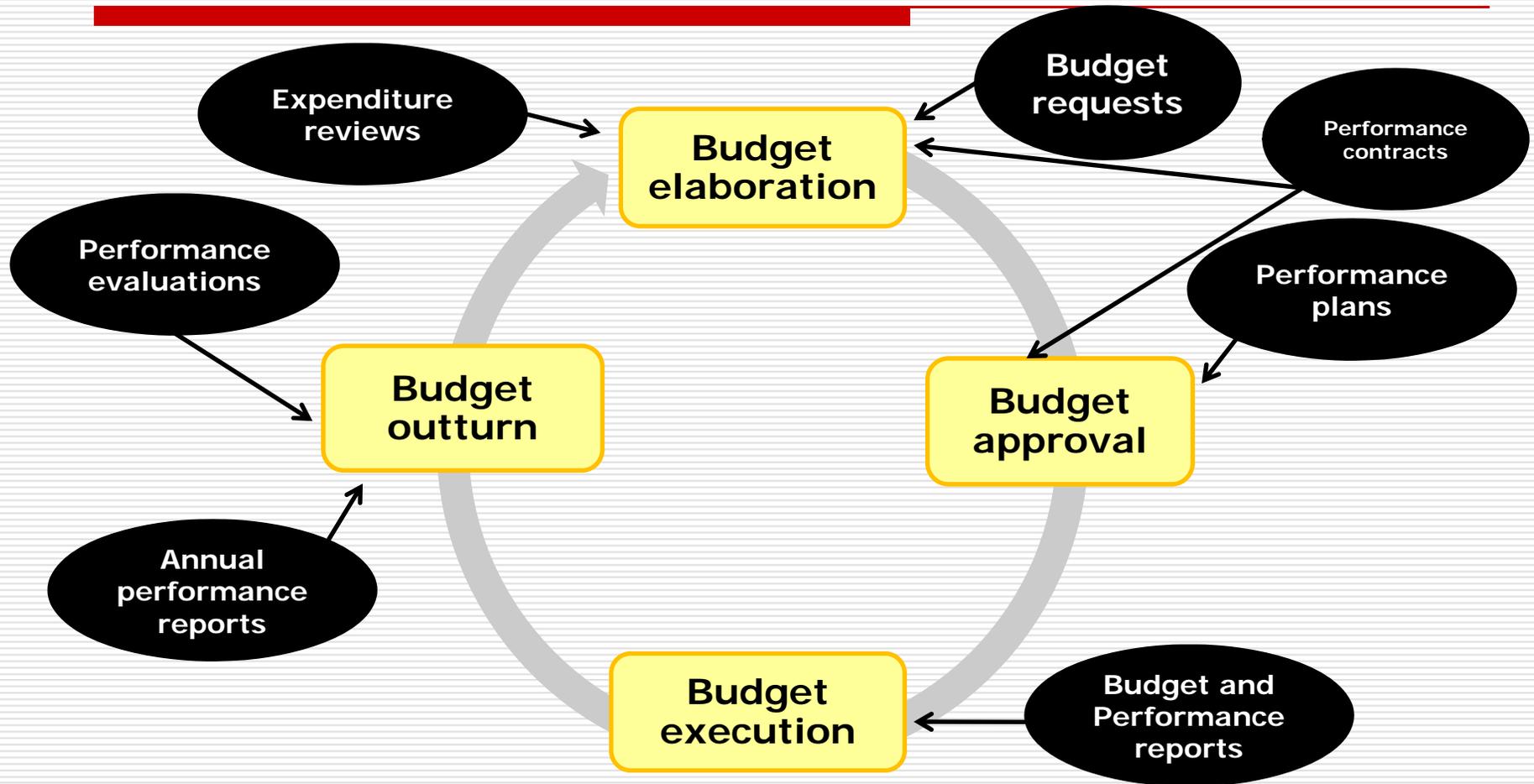
- ❑ Ministries → request resources based on expected performance
- ❑ MoF → Budget requests review and recommendations based, along with other criteria, on expected and past performance information (reports and evaluations)
- ❑ Ministries → program, outputs, activities reconsideration and redesign
- ❑ Ministries → reduce waste (efficiency) and reallocate resources ( $\Delta$ ) to performing and priority programs/outputs

# Main uses of performance information in performance budgeting

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- ❑ Ministries → incentives to staff (if established) to improve output, activity and project performance
- ❑ MoF → criteria, along with other elements, to impose budget cuts during budget execution in front of situation of fiscal deterioration (“cuts allocation efficiency”)
- ❑ Government → jointly with priorities and other criteria, a sound reference to take final decisions on budget resources allocation
- ❑ Government and ministries → transparency and accountability to citizens (if information available and accessible)

# Main performance budgeting elements/documents



# Useful knowledge/skills for budget analysts/administrators

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- ❑ Strategic planning (definition of missions, goals, performance indicators,..)
- ❑ Program performance analysis (analysis of performance information and budget execution,..)
- ❑ Policy/program evaluation (program evaluation of needs, design, implementation, impact, ...)
- ❑ Cost analysis (self-financing of services and break even analysis, efficiency ratios, benchmark comparisons,..)
- ❑ Economic methods of policy evaluation (Cost-Benefit Analysis, Cost-Utility Analysis,.. )

# Performance budgeting implementation lessons and recommendations

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- ❑ Implementing a performance budgeting system may take several years and might be necessary to review it during its implementation process
- ❑ Frequently framed in a general public sector reform agenda
- ❑ Political and administrative support and commitment is critical
- ❑ Reform main concepts and advantages must be spread in all public sector branches
- ❑ Need to manage reform expectations and consider possible/potential limitations (be realistic)
- ❑ Reinforce the budget reform implementation and consolidation by legislation can be recommendable (Public Finance Act,..)

# Performance budgeting implementation lessons and recommendations

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- ❑ The performance budgeting system to implement must be adapted to the Government's political and administrative context
- ❑ The performance budgeting system to adopt must consider existing budgeting practices and processes and must consider how to introduce performance information into the budget elaboration process
- ❑ Performance budgeting design must take into account their final users and stakeholders needs, interests and capabilities
- ❑ An implementation strategy and agenda is needed
- ❑ "Big bang" implementations are workable only in when there are strong elements and conscience of change (fiscal crisis, cabinet changes,..) (ex: Sweden). Progressive implementation or preliminary pilot projects are advisable for the other cases (ex: France)

# Performance budgeting implementation lessons and recommendations

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- ❑ Implementation must commit, integrate and involve not only the highest level of government (cabinet ministries), but also operating units, divisions or agencies
- ❑ Strategic Planning and performance management must be promoted and spread
- ❑ An understandable and workable system of incentives could help to boost performance orientation and culture
- ❑ Performance management and budgeting can be promoted through positive incentives and organization improvement learning (don't blame, let's improve)
- ❑ At integrating performance information into the budget process, must be advisable to avoid "direct link" approaches at first stages (from "presentational" to "indirect link")

# Performance budgeting implementation lessons and recommendations

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- ❑ “Program budgeting” and “indirect link” approaches are recommended. “Presentational” approach can be advisable at the first years of the performance budgeting implementation
- ❑ At first stages develop the design and the implementation of simple and adapted program performance plans and program performance reports (at least on annual basis). In future stages improve these elements and try to develop somehow of simple program evaluations (and performance audits from national audit offices)
- ❑ Budget program structure must be robust and helpful for spending prioritization and performance planning and reporting purposes. Program budgeting vision must be reinforced
- ❑ Performance information must be relevant and comply with key technical criteria (SMART and other). Performance information utility and quality is critical!

# Performance budgeting implementation lessons and recommendations

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- ❑ Need of program performance information rationalization: avoid too much programs, goals and indicators (data overload). Prioritize to obtain only key data (outcome and key output data)
- ❑ Assure program and performance information quality and ownership from ministries and agencies: joint work approaches are desirable. Tutelage and guide are essential at first steps
- ❑ Development of new skills in performance budgeting and management “users” is critical: strategic planning, performance analysis,... (Need of training and practice!)
- ❑ Need of adequate IT systems to manage data
- ❑ Some degree of input flexibility can be advisable, only if sound input controls already exist
- ❑ Establish affordable transparency and accountability mechanisms

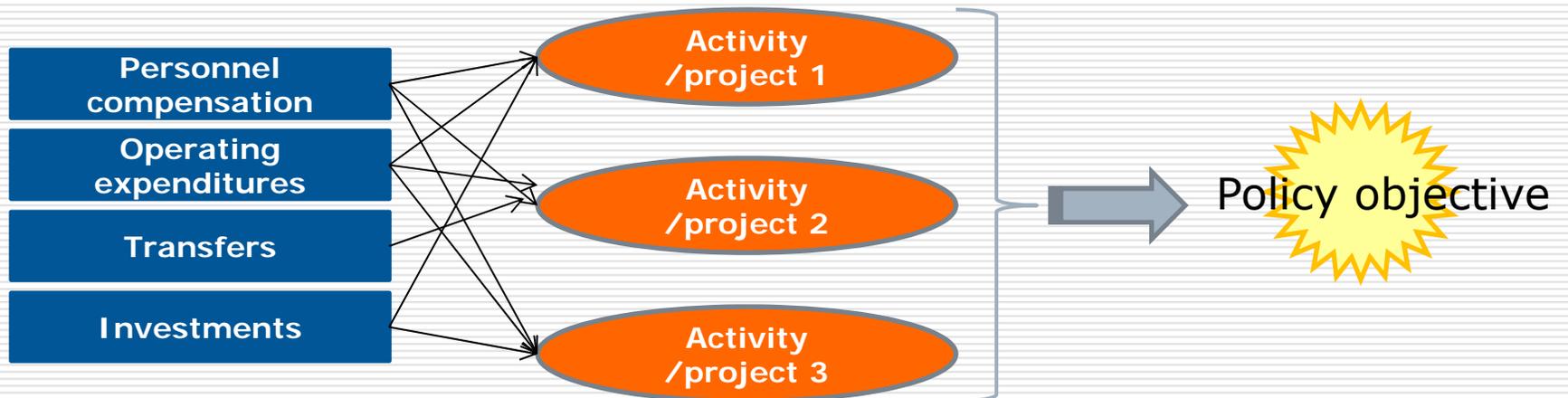
# Performance Budgeting

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*Program budget  
structure definition*

# What's a program budget?

- ❑ A program can be defined\* as a set of activities and projects, under a single (or even multiple) manager, which consume resources to contribute a specified policy objective
- ❑ A program budget structure is not a mere reclassification of expenditures
- ❑ Programs should be the base for budget allocations and management



\*Adapted from Diamond, J. (2003): *From Program to Performance Budgeting: The Challenge for Emerging Market Economies*. IMF Working Paper WP/03/169.

# Why a budget program structure could be useful?

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- ❑ To take allocation decisions → government expenditure prioritization (allocations to policy objectives)
- ❑ A useful base for expenditure strategic planning and programming → budget performance-oriented planning and programming
- ❑ Budget transparency → allocations to programs shows clearly to citizen's and legislative Government's priorities
- ❑ It can allow to make international comparison of expenditure composition if relatively similar to other countries or functional classification models of reference (COFOG)

# Program budget and functional classification

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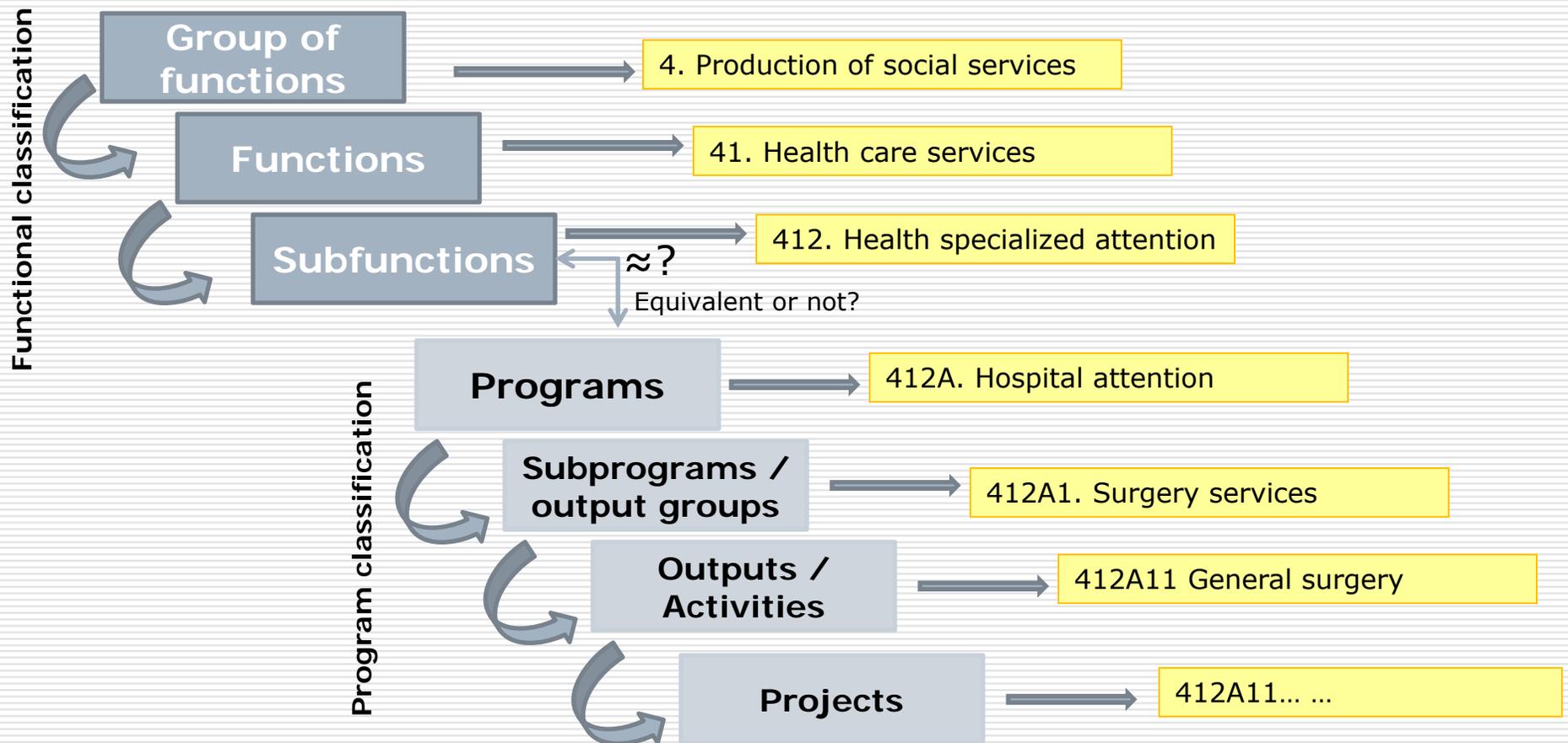
- ❑ The **functional classification** of the expenditure refers to the main functions or big expenditures policy areas. Suppose relatively big aggregates of expenditures (even its brake down) and has a purpose of expenditure comparison and statistics  
→ *for aggregate comparisons/analysis and statistics*
- ❑ **Program classification** is a relatively detailed structure of budget expenditures, which refers to specific policy objectives with the main aim to facilitate a resources strategic planning and prioritization at taking allocation decisions  
→ *for management purposes*
- ❑ It is highly recommended to integrate both classifications

# COFOG classification

<b>7</b>	<b>Total outlays</b>	<b>706</b>	<b>Housing and community amenities</b>
<b>701</b>	<b>General public services</b>	7061	Housing development
7011	Executive and legislative organs, financial and fiscal affairs, external affairs	7062	Community development
7012	Foreign economic aid	7063	Water supply
7013	General services	7064	Street lighting
7014	Basic research	7065	R&D Housing and community amenities
7015	R&D <sup>1</sup> General public services	7066	Housing and community amenities n.e.c.
7016	General public services n.e.c. <sup>2</sup>	<b>707</b>	<b>Health</b>
7017	Public debt transactions	7071	Medical products, appliances, and equipment
7018	Transfers of a general character between different levels of government	7072	Outpatient services
<b>702</b>	<b>Defense</b>	7073	Hospital services
7021	Military defense	7074	Public health services
7022	Civil defense	7075	R&D Health
7023	Foreign military aid	7076	Health n.e.c.
7024	R&D Defense	<b>708</b>	<b>Recreation, culture, and religion</b>
7025	Defense n.e.c.	7081	Recreational and sporting services
<b>703</b>	<b>Public order and safety</b>	7082	Cultural services
7031	Police services	7083	Broadcasting and publishing services
7032	Fire protection services	7084	Religious and other community services
7033	Law courts	7085	R&D Recreation, culture, and religion
7034	Prisons	7086	Recreation, culture, and religion n.e.c.
7035	R&D Public order and safety	<b>709</b>	<b>Education</b>
7036	Public order and safety n.e.c.	7091	Pre-primary and primary education
<b>704</b>	<b>Economic affairs</b>	7092	Secondary education
7041	General economic, commercial, and labor affairs	7093	Postsecondary nontertiary education
7042	Agriculture, forestry, fishing, and hunting	7094	Tertiary education
7043	Fuel and energy	7095	Education not definable by level
7044	Mining, manufacturing, and construction	7096	Subsidiary services to education
7045	Transport	7097	R&D Education
7046	Communication	7098	Education n.e.c.
7047	Other industries	<b>710</b>	<b>Social protection</b>
7048	R&D Economic affairs	7101	Sickness and disability
7049	Economic affairs n.e.c.	7102	Old age
<b>705</b>	<b>Environmental protection</b>	7103	Survivors
7051	Waste management	7104	Family and children
7052	Waste water management	7105	Unemployment
7053	Pollution abatement	7106	Housing
7054	Protection of biodiversity and landscape	7107	Social exclusion n.e.c.
7055	R&D Environmental protection	7108	R&D Social protection
7056	Environmental protection n.e.c.	7109	Social protection n.e.c.

The UN/OECD's Classification of the Functions of Government (COFOG) is a good benchmark to based functional classification and also to inspire program definitions

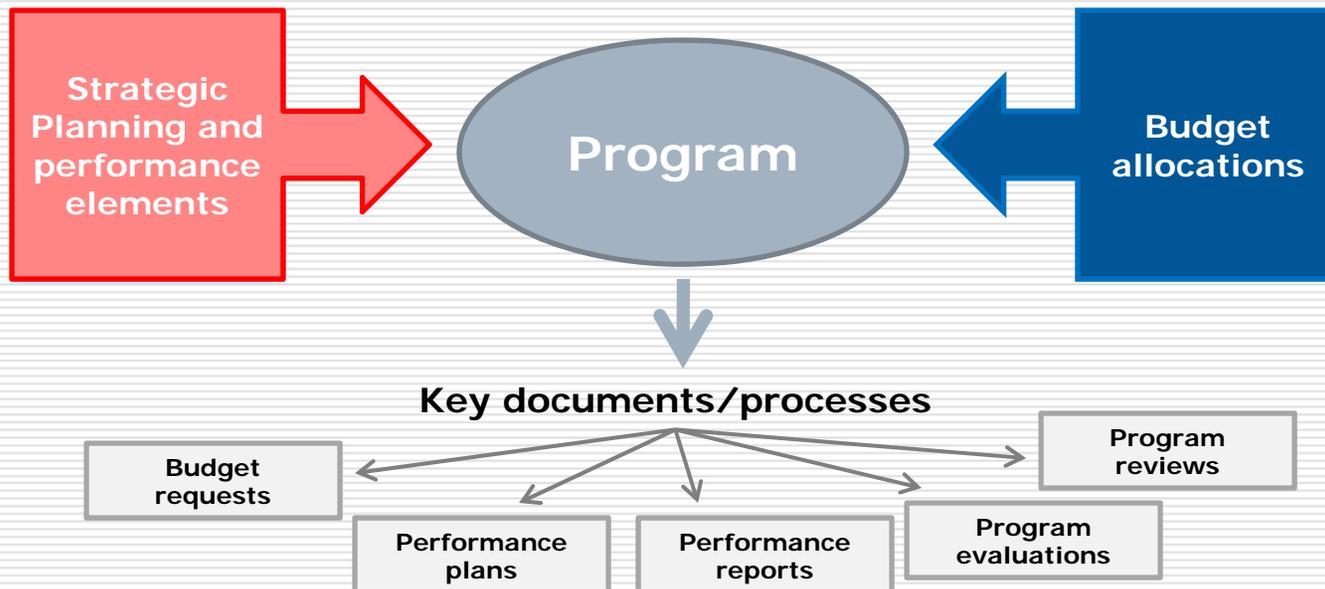
# Integration of functional and program classification



# Program dual nature

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- Programs are a sound structure that allows to link performance/objective-based management and budget resources. Programs has at the same time a strategic planning (performance elements) and a budget nature (allocations)



# Program structure examples

France, Budget 2011 (only a part of programs shown in this image)

## Les missions et programmes du budget général de l'État

### Projet de loi de finances pour 2011



32 missions : 123 programmes

<b>Action extérieure de l'État</b>	Action de la France en Europe et dans le monde	Diplomatie culturelle et d'influence	Français à l'étranger et affaires consulaires	Présidence française du G20 et du G8		
<b>Administration générale et territoriale de l'État</b>	Administration territoriale	Vie politique, culturelle et associative	Conduite et pilotage des politiques de l'intérieur			
<b>Agriculture, pêche, alimentation, forêt et affaires rurales</b>	Économie et développement durable de l'agriculture, de la pêche et des territoires	Forêt	Sécurité et qualité sanitaires de l'alimentation	Conduite et pilotage des politiques de l'agriculture		
<b>Aide publique au développement</b>	Aide économique et financière au développement	Solidarité à l'égard des pays en développement	Développement solidaire et migrations			
<b>Anciens combattants, mémoire et liens avec la Nation</b>	Liens entre la Nation et son armée	Reconnaissance et réparation en faveur du monde combattant	Indemnisation des victimes des persécutions antisémites et des actes de barbarie pendant la Seconde Guerre mondiale			
<b>Conseil et contrôle de l'État</b>	Conseil d'État et autres juridictions administratives	Conseil économique, social et environnemental	Cour des comptes et autres juridictions financières			
<b>Culture</b>	Patrimoines	Création	Transmission des savoirs et démocratisation de la culture			
<b>Défense</b>	Environnement et prospective de la politique de défense	Préparation et emploi des forces	Soutien de la politique de la défense	Équipement des forces		
<b>Direction de l'action du Gouvernement</b>	Coordination du travail gouvernemental	Protection des droits et libertés	Moyens mutualisés des administrations déconcentrées			
<b>Écologie, développement et aménagement durables</b>	Infrastructures et services de transports	Sécurité et circulation routières	Sécurité et affaires maritimes	Météorologie	Urbanisme, paysages, eau et biodiversité	Information géographique et cartographique
	Prévention des risques	Énergie, climat et après-mines	Conduite et pilotage des politiques de l'écologie, de l'énergie, du développement durable et de la mer			
<b>Économie</b>	Développement des entreprises et de l'emploi	Tourisme	Statistiques et études économiques	Stratégie économique et fiscale		
<b>Engagements financiers de l'État</b>	Charge de la dette et trésorerie de l'État (crédits évaluatifs)	Appels en garantie de l'État (crédits évaluatifs)	Épargne	Majoration de rentes		
<b>Enseignement scolaire</b>	Enseignement scolaire public du premier degré	Enseignement scolaire public du second degré	Vie de l'élève	Enseignement privé du premier et du second degrés	Soutien de la politique de l'éducation nationale	Enseignement technique agricole
<b>Gestion des finances publiques et des ressources humaines</b>	Gestion fiscale et financière de l'État et du secteur public local	Stratégie des finances publiques et modernisation de l'État	Conduite et pilotage des politiques économique et financière			
	Facilitation et sécurisation des échanges	Entretien des bâtiments de l'État	Fonction publique			

# Program structure examples

Spain, Budget 2011. Programs of expenditure policy: Citizen security and penitentiary institutions

Expenditure policy (functions)	Group of programs	Program
13. Citizen security and penitentiary institutions	131. Security and civil protection general administration	131M. General services and management of security and civil protection 131N. State security forces training 131O. Reserve forces 131P. Asylum administration
	132. Security and public order	132A. Citizen security 132B. Road safety 132C. Police actions in drug affairs
	133. Penitentiary institutions	133A. Prison administration 133B. Inmate training and assistance
	134. Civil protection	134M. Civil protection
	135. Data protection	135M. Personal data protection

# Defining a sound program structure: possible recommended criteria

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- Programs defined according to ministries' main policy line objectives and "functions" and to program's concept → assure program ownership . Also consider some cases of programs shared by more than one ministry
- Programs must be defined considering a wider strategic framework (ministry strategic plans,..)
- Program's performance accountability must be clearly linked/assumed to its related ministry (or ministries)
- Outcome-based programs → must be clearly identifiable the main outcome and purpose of the program, and also the related outputs/activities and resource consumption
- The name of programs should provide a quick and clear idea of what's the program main purpose or in what consists

# Defining a sound program structure: possible recommended criteria

---

- Every program associated to one function or subfunction
- Balanced strategic/operating level of the programs → programs should not be too aggregate or too detailed (congruent with ministries' key budget decisions and planning)
- Balanced number of programs → not too much or too low (between 80-160? 5-15 programs per ministry?)
- Relatively balanced program allocations. In order to avoid "microprograms" and "macroprograms" (excessive program allocations atomization or concentration), consider minimum amounts to consider/define a program and also some criteria to identify cases of "excessive allocations"
- Program structure must be applied to all government operations (like the other main budget expenditure classifications (economic/input and organic/institutional))

# Defining a sound program structure: possible recommended criteria

---

- Revenues generated (fees,..) or associated (earmarked funds) to programs can suppose a partial “program revenue classification” (general revenues and program revenues?)
- Program definition must be congruent with the possibilities to differentiate, manage and allocate traditionally input allocated resources
- Program allocations must have all their related expenditures
- Although also it can be defined at division, secretariat or directorate-general level, it is advisable that program strategic and performance elements be established at ministry level (at every combination of ministry-program: program performance plans at ministry-program level). In advanced situations, ministries’ program performance plans can be broke down by units (ex: French BOP or Catalan program operator performance plans)

# Defining a sound program structure: possible recommended criteria

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- Program structure should not be an organic structure copy
- It it's highly advisable to brake down programs into subprograms/output groups → makes possible better program analysis and decisions of program internal reallocation of resources
- To brake down programs into subprograms/output groups must be feasible to allocate/account related resources to them.
- Some general criteria can be established for programs used by all government ministries (ex: general administration services)
- Program structure must have some degree of stability, but it can be reviewed if it's necessary to increase its usefulness as a budget management tool (don't be afraid to review and improve but don't do it every year). New program structures must reconciled with old ones in order to allow time comparisons

# Program and strategic planning integration and alignment



# Possible recommended approaches for a preliminary program structure design

---

- Create program structure teams formed by MoF's and line ministries' staff (a team for each ministry (Ministry team))
  - A joint work to assure a program structure adapted to ministries' needs and at the same time complying with recommended criteria for program definition
  
- Adopt a combination of top-down and bottom-up approaches
  - Top-down approach: starting program definition from ministries' identified main outcomes or policy lines, and then identify related outputs and inputs (ministries strategic plans can be a useful reference). Ideal but complicated and may be unreal without considering actual outputs, activities,..
  - Bottom-up approach: start from inputs, passing to outputs identification and grouping outputs according outcomes to achieve . Easiest but can lead to not outcome-oriented programs

# Possible recommended approaches for a program structure design

---

- Ministries teams conduct as rounds of it takes to obtain a potential sound program structure for the ministry (identifying programs, outputs and inputs/resources)
- Check feasibility (and make preliminary or pilot exercises) to allocate/account all related resources to designed programs (critical!)
- Link/associate ministries' programs to ministry strategic planning structures and check its congruence and alignment
- Link programs to functional classification (function or subfunction)
- Once all ministry teams have finish a draft program structure, aggregate programs and consider/review the structure as a whole (maybe some programs can be adjusted and shared). After these reviews and adjustments, the final program structure is obtained

# Performance Budgeting

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*Program strategic and  
performance elements*

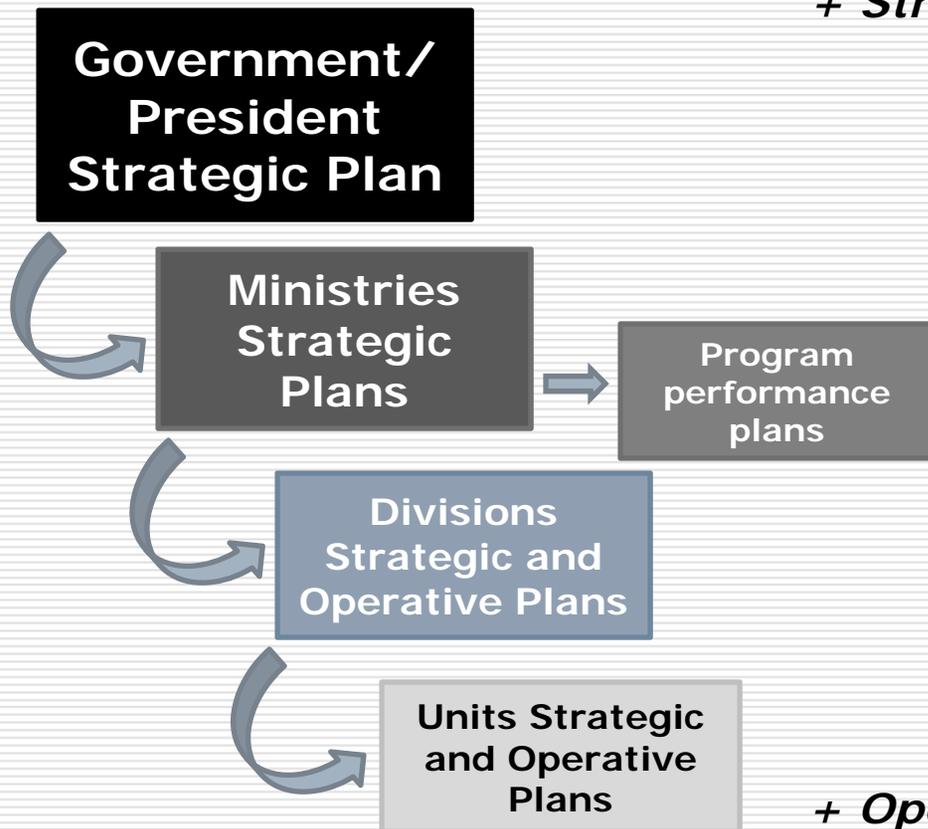
# What's strategic planning and performance measures?

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- Strategic planning: a set of concepts, procedures and tools to support organizations' formal efforts to produce fundamental decisions and actions that shape and guide:
  - What an organization (program) it is?
  - What it does (operations, outputs, activities)?
  - Why it does (reason to be/exist)?
  - What wants to achieve (results, performance)?
  - How to achieve the desired results/performance?
  
- Performance measurement: key values or magnitudes that allow to track and check if defined goals or strategic planning elements (goals/objectives/targets) are met. Performance measures allow to assess organizations, programs, policies, projects performance.

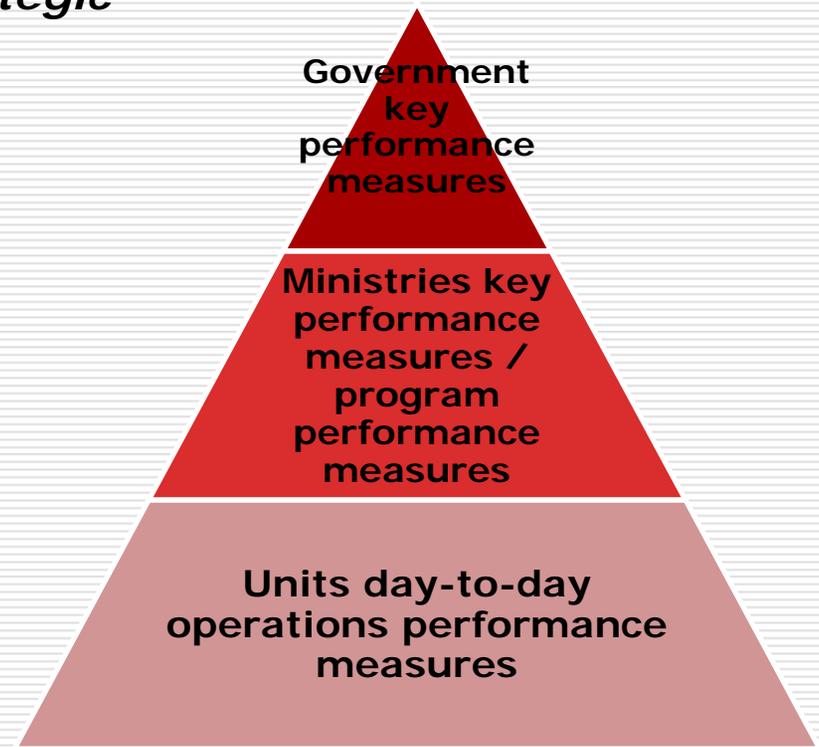
# Government strategic planning and performance measurement levels

## Strategic planning levels



+ *Strategic*

## Performance measures levels



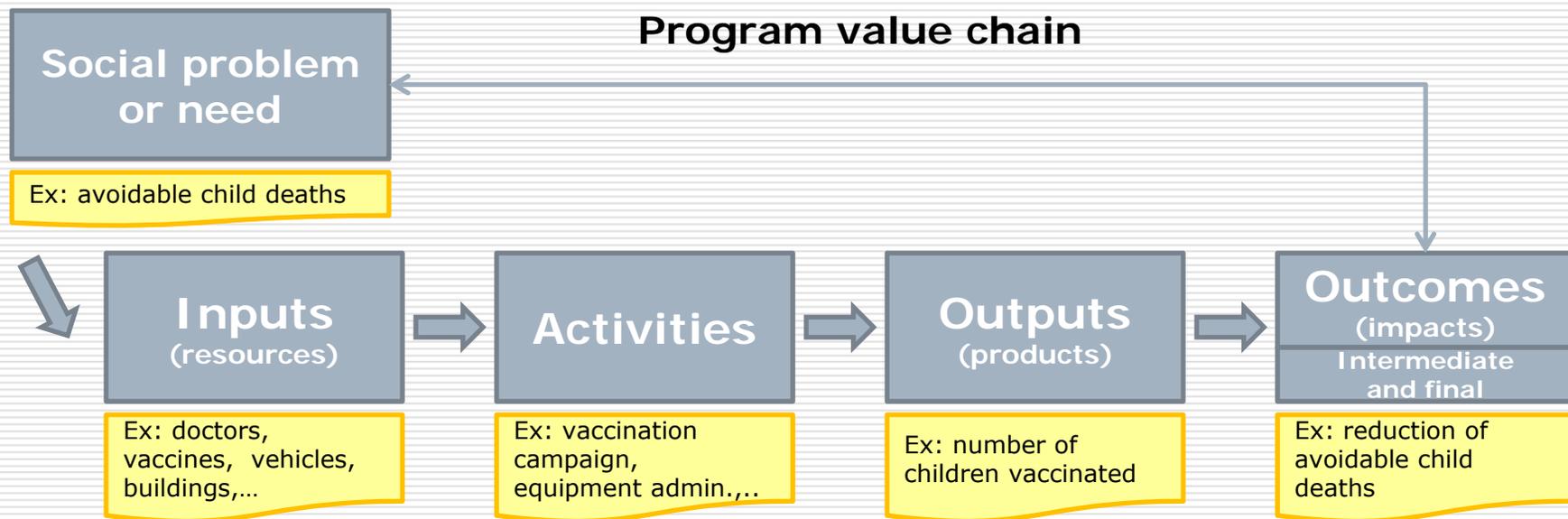
+ *Operative*

# Reasons to measure public sector performance\*

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- ❑ What gets measured gets done
- ❑ If results are not measured, you can't differentiate between success or failure
- ❑ If you can't recognize success, you can't reward it
- ❑ If you can't reward success, maybe you'll be rewarding failure
- ❑ If you can't identify success, you can't learn from it
- ❑ If you can't identify failure, you can't correct it
- ❑ If you cant show results, you can't get citizens' support

# Program value chain and planning logic



## Program planning logic

Which inputs/resources are needed to produce the desired activities?



Which and how many activities do we need to produce the desired activities?



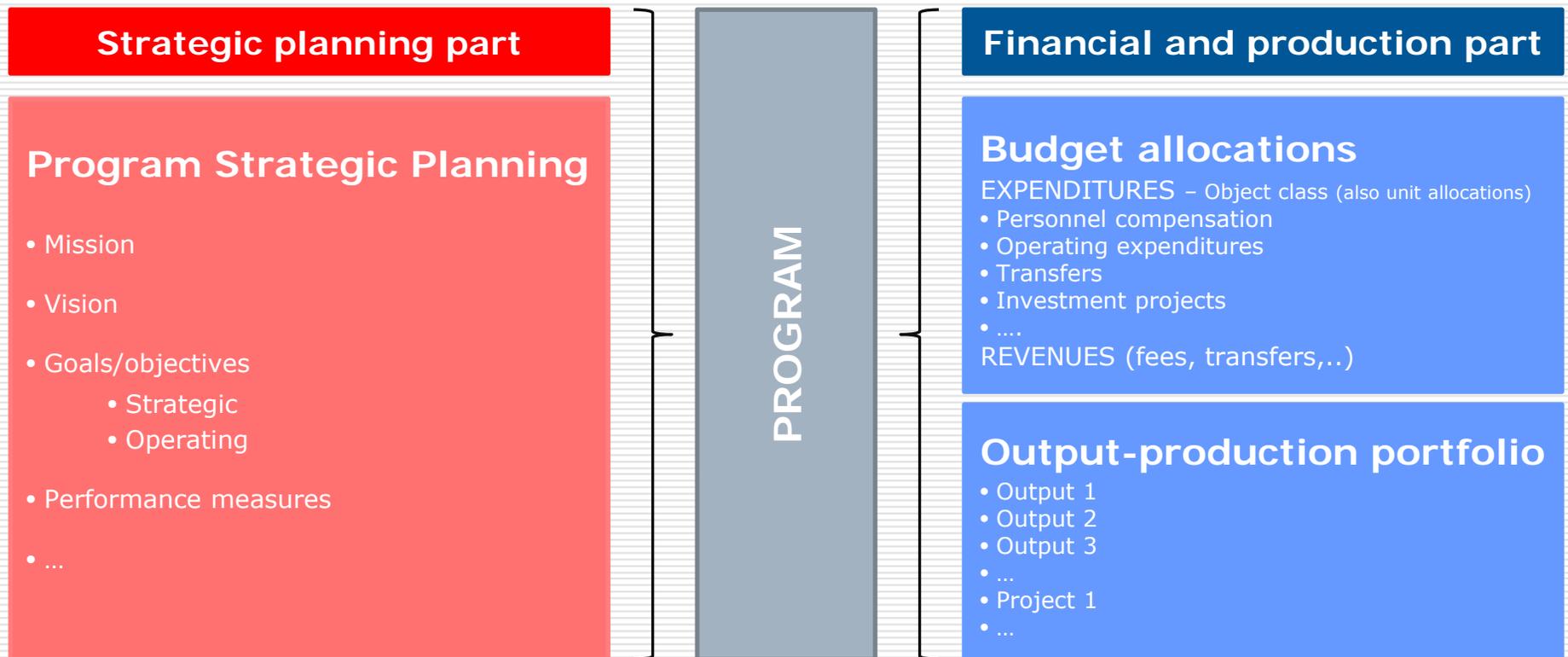
Which and how many outputs do we need to get the desired outcomes?



Which outcomes do we want to achieve to relieve the specific social problem or need?

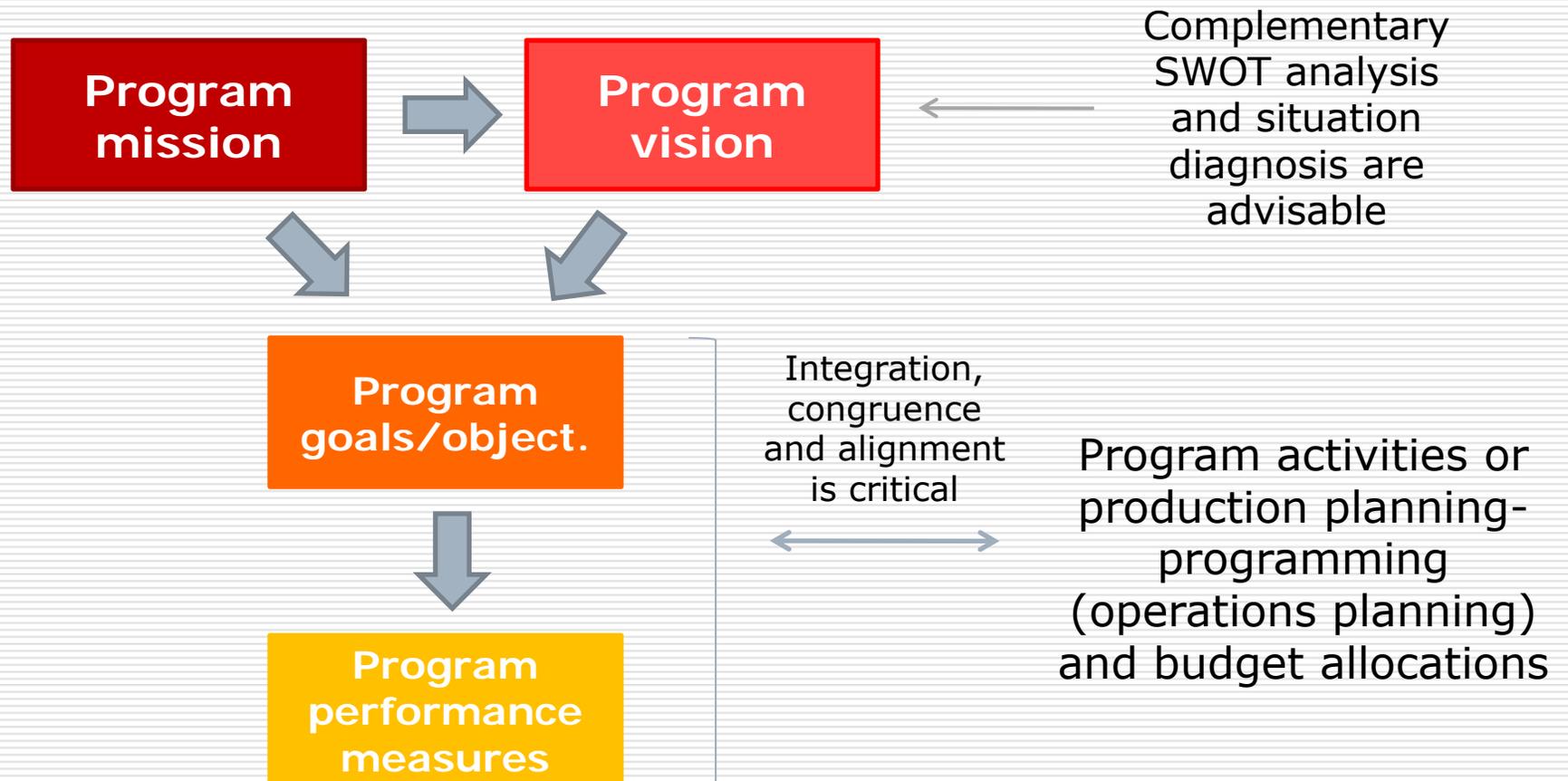
# Program dual integrated nature

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# Program main strategic and performance elements

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# Program mission

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- ❑ Defines the statement of purpose or the existence reason of a program
- ❑ Should indicate and make explicit the great outcome/impact or result to be obtained
- ❑ Also could add information about the program's "clients", key functions/outputs and intermediate outcomes
- ❑ Mission should be concise, clear and understandable
- ❑ Example (Employment qualification program):

*Increase unemployed people's qualifications, skills and competences by general and specific training programs in order to increase their employability and get employed in a short-term period*

# Program vision

---

- ❑ Program vision means the conceptual image of the desired future or the program. Vision shows future (long-term) program situation if the “mission” is correctly performed.
- ❑ Vision should be concrete, brief aggressive, inspiring, challenging and idealistic
- ❑ Example (Railway public transportation program):  
*Achieve a safe, efficient and clean railway public transportation system, reaching world's highest standard levels, that assures citizens' opportunities and territory equity and boosts business growth, productivity and competitiveness, converging with most advanced economies.*

# Program goals/objectives

---

- Goals/objectives are specific future situations to be reached in a timely manner in order to approach the program to its mission accomplishment
- Goals/objectives can be divided into two levels:
  - Strategic goals/objectives: medium-term non-specific goals/objectives that relates to key results to get closer to mission's accomplishment (can be quantified or not)
  - Operating goals: annual-term specific and quantified goals/objectives that relates to key performance improvements in order to achieve strategic goals/objectives
- Goals/objectives must be relevant, clear, consistent with the mission and comply (as much as possible) with **SMART** criteria
- Goals/objectives are measured by performance measures

# Program goals/objectives

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- Strategic goals/objectives (National police program. Budget 2011, France)
  - Reduce insecurity
  - Optimize mobile forces utilization
  - Reinforce effectiveness in the fight against road insecurity
  - ....
  
- Strategic and operating goals/objectives (Road safety program. Budget 2011, Government of Catalonia (Spain))
  - ...
    - 1.2 Reduce a 5% the number of death and highly damaged people in roads, reaching a value of 2,280
  - 2. Improve services and infrastructures safety
    - ...
    - 2.3 Perform 84.300 alcohol consumption controls per million inhabitants
  - ...

# Main types of program performance measures

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- Input
- Output
- Outcome
- Efficiency
- Quality

# Input performance measures

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- Relates to the measurement of the level, conditions and other elements of the program's resources (financial, physical,..)
  
- Examples:
  - Number of police patrol vehicles
  - Number of primary schools to equip
  - Number of km of highways
  - Vaccines acquired
  - ...

# Output performance measures

---

- Relates to the measurement of the quantity, covering and other elements of completed goods and services provided by the program
  
- Examples:
  - General surgery operations performed
  - Number of young people receiving the standard house rent aid
  - Number of million gallons of water purified
  - % of demand coverage of public nursery education services (nursery education places / number of children 0-3 years)
  - ...

# Outcome performance measures

---

- Measurement of the results, impacts or effects that are produced, mostly or in some part, by delivered program outputs
  
- Examples:
  - % of secondary school students that reach the standard levels of skills and competences (literacy) at the end of this education level
  - % of program clients who gets a job in a 3 months after receiving professional qualifying training services
  - Number of new companies (or jobs) created through the business credit program
  - ...

# Efficiency performance measures

---

- Measurement (in amounts or physical units) of the relationship between magnitudes of inputs relating outputs or outcomes
  
- Examples:
  - Average cost for primary health care attention
  - School equipment cost per student at secondary education
  - Number of payrolls managed / HR payroll staff
  - Employment intermediation services direct costs / number of people employed 3 months after receiving employment intermediation services
  - ...

# Quality performance measures

---

- Measurement of quality standards or client satisfaction/assessment concerning program elements (inputs and outputs especially)
  
- Examples:
  - Number of students per classroom
  - Average score of service satisfaction survey
  - Number of service complaints
  - Average number of days to receive answer from the Q&A service
  - ...

# Performance measures technical requisites

---

- Performance measures to be robust and useful for performance management and budgeting purposes must comply with most part (probably with all it's impossible) of the following requisites:
  - Relevant
  - SMART
    - Specific
    - Measurable
    - Aggressive but **A**ttainable
    - Results-oriented
    - Time-bound

# Goals and performance measures technical requisites

---

- Clear
- Easy to understand and assess
- Comparable
- Verifiable
- Cost-effective
- Not ambiguous interpretation
- Sensitive to management decisions/operations
- Time availability

---

**Let's get some practice on  
program strategic and  
performance elements**

# Which is the best mission for this program?

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- ❑ Prison services program
  - Facilitate social and employment insertion of prison inmates through the development of psychological services, educational and training activities, jobs creation and other activities oriented to make easier their job market reincorporation.
  - Guard and develop psychological services and training actions to prison inmates
  - Perform the Strategic Inmates Insertion Plan 2012-2014

# Which one is a real goal/objective?

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- Secondary school program
  - Equip all public secondary education centers
  - Reduce at a % the drop-out rate of mandatory secondary education at public centers
  - Evaluate public secondary education students' skills and competences at the end of the secondary education cycle

# Identify performance measures types

---

- Number of places in residential centers for minors under government tutelage
- Number of firefighters
- Victimization rate (reported crimes / population)
- Number of public hospitals
- Number of visits at the National History Museum

# Which program performance measures\* are more relevant?

---

- Adult literacy program
  - Number of adults enrolled in the basic literacy courses
  - Number of adults completing basic literacy courses
  - % of basic illiteracy of adult people (over X years)
  - % of students enrolled in the basic literacy courses who completed the courses
  - Number of teachers of basic literacy courses

---

\*Example adapted from *Managing for Results - Strategic Planning and Performance Measurement Handbook*, Governor's Office of Strategic Planning and Budgeting, Arizona.

# Performance measure compliment with technical requisites

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- ❑ Performance measure → *Number of residential places for elderly people accredited with long-term care needs (Long-term care program)*
  
- ❑ Technical requisites:
  - Relevant: ✓ or ✗ ?
  - SMART : ✓ or ✗ ?
  - Clear: ✓ or ✗ ?
  - Easy to understand and assess: ✓ or ✗ ?
  - Comparable: ✓ or ✗ ?
  - Verifiable: ✓ or ✗ ?
  - Cost-effective: ✓ or ✗ ?
  - Not ambiguous interpretation: ✓ or ✗ ?
  - Sensitive to management decisions/operations: ✓ or ✗ ?
  - Time availability: ✓ or ✗ ?

# Program strategic and performance element's common pitfalls and lessons

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- ❑ Definition of irrelevant goals/objectives and performance measures  
→ gets measured what it's easy to measure, not what it's important
- ❑ Alignment between different levels of strategic planning is needed
- ❑ Alignment and congruency between mission, goals/objectives and performance measures is critical
- ❑ Goals/objectives and performance measures should be explicitly linked/associated and it is recommended priority identification
- ❑ Definition of too many goals/objectives and performance measures  
→ Data overload and lack of prioritization. Recommended 2-4 strategic goals/objectives, 4-8 operating goals/objectives and performance measures (or even 3-5) per program

# Program strategic and performance element's common pitfalls and lessons

---

- ❑ Need for some stability of program strategic and performance elements (not be afraid to review if it's necessary)
- ❑ Conceptual confusion between inputs, outputs and outcomes performance measures and between goals and activities
- ❑ So many measures are input and output oriented → need for more outcome-based
- ❑ Difficult to measure program outcomes. Better focus on intermediate outcomes or "outputs effectiveness" than final outcomes (information time availability and effect of external influences)
- ❑ Unbalanced program performance measures (all inputs, outputs,..). Recommended combination of outcome, key output, efficiency/quality measures

# Program strategic and performance element's common pitfalls and lessons

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- ❑ Definition of not aggressive or challenging goals
- ❑ Performance measures considered as statistical data, and not a key information to support management decisions. Introduce and incentive performance management culture
- ❑ Review already existing potential performance data and consider potential new performance information (if cost-effective and relevant) is advisable
- ❑ Need to develop strategic planning and performance measurement/management/analysis skills at the Government center (Presidency, MoF, ..)and at line ministries
- ❑ At first stages is highly recommended to MoF and line ministries work together closely at defining and agreeing program strategic planning and performance elements

# Program strategic and performance element's common pitfalls and lessons

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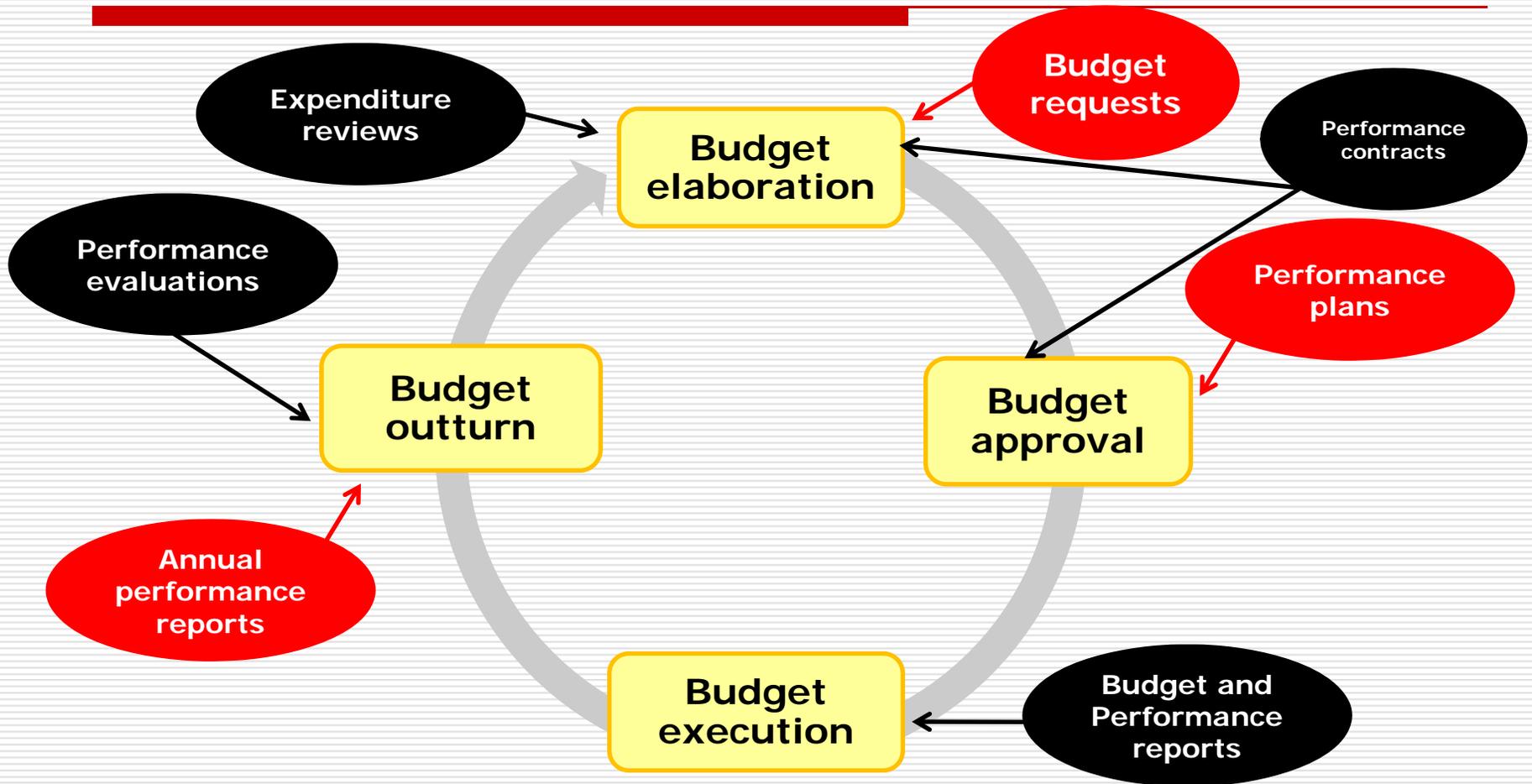
- ❑ Program strategic and performance elements must be useful for its related users/managers → need of ownership by line ministries and also to comply with key technical requisites (MoF). Avoid imposition strategies
- ❑ Lack of adequate IT systems to allow strategic planning and performance measures collection and verification
- ❑ Strategic and performance information and documents not published → Lack of transparency and less incentives to information prioritization and improvement
- ❑ Strategies to improve program strategic and performance information are needed: pilot projects, progressive implementation,.... Keep it simple and learn by doing

# Performance Budgeting

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*Main Performance Budgeting  
documents*

# Main performance budgeting elements/documents



# Budget requests

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- ❑ Budget request is the formal process in the budget elaboration (bottom-up part) where ministries or agencies expose, justify and ask (to MoF) for resources / allocations (budget request document) in order to perform a certain level of outputs, activities and projects to achieve its goals and mandates
- ❑ Budget requests are an essential part of budgeting processes
- ❑ Budget requests are elaborated according to budget circular/letter information, guidelines, instructions, forms and calendar
- ❑ In performance budgeting systems, performance-oriented budget requests are critical to integrate performance information to budget allocations decisions
- ❑ Recommended to specify budget requests on programs

# Budget requests

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- ❑ It is highly recommended that budget requests be based on policy changes (new initiatives, expansions and reductions), being current FY baseline a useful reference/tool
- ❑ In some cases there's no need to show information of allocations at the most detailed level
- ❑ To avoid budget requests to become a "whish list", it's highly recommendable to previously set some kind of ceilings (indicative or fixed) (notified in the budget circular/letter)
- ❑ Also, to guide budget requests, is recommendable that budget circular or letters set some concrete policy guidelines (priorities)
- ❑ If there's an integrated MTBFs system, budget requests must comply with multi-year ceilings and show the medium-term impact/baseline of proposed/requested allocations ("forward estimates")

# Budget requests

---

- Possible main contents of a performance-oriented budget request:
  - Description and justification of the general strategy associated to the budget request (identification and strategic justification of reallocations, key expansions and reductions,..)
  - General summary of revenues and expenditures of the budget request (by program, item/object class, unit)
  - Forecast detail and assumptions of revenues managed by ministries
  - Summary of requested expenditure allocations (by program, item/object class, unit: differentiating baseline and policy changes)

# Budget requests

---

- Current FY baseline expenditures calculus and assumptions (if not submitted or calculated previously by/with MoF)
- Detailed description, justification and prioritization (in performance basis) of the proposed new initiatives and expansions
- Detailed description and justification (in performance basis) of current FY baseline expenditures reduction
- Detailed information concerning specific elements of the budget request: personnel information, investment projects, already agreed multi-year commitments, mandatory spending,..
- Program goals and expected performance associated to the budget request

# Program performance plans

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- ❑ Program performance plans are the documents where the main/key strategic and performance elements of program for a corresponding fiscal year (or even in a multi-year planning/programming basis) are set. Program performance reports will be done considering the program performance plans data
- ❑ Program performance plans are elaborated once annual budget allocations have been decided/agreed. Is the expected performance relating the final decided allocation of resources  
*Budget request (performance part) → Budget decisions → Program performance plans*
- ❑ Usually program performance plans are published along with the rest of budget documentation

# Program performance plans

---

- ❑ Program performance plans are normally (and it's recommended) elaborated following instructions and guidelines issued by MoF (budget circular)
- ❑ Program performance plans should content key/relevant information and at the same time be as brief as possible
- ❑ In each program performance plans should be a limited number of key and robust goals and performance measures
- ❑ Program performance plans information should be understandable for budget analysts/administrators, civil officers, legislative officers, citizens ...

# Program performance plans

---

- Possible main contents of program performance plans:
  - Identification of associated Government's and/or Ministry's Strategic Planning goals or elements (program link with higher levels of strategic planning)
  - Program framework and situation diagnosis (need or problem description, actual and potential situations, program "clients" specification and characteristics,..)
  - Program mission
  - Program vision
  - Program strategy (final outcome, intermediate outcomes, link between outcomes and products)

# Program performance plans

---

- Brief description of program's annual decisions (changes from last year (reallocations, expansions, reductions))
- Program goals/objectives (annual and medium-term targets (if possible))
- Program performance measures (explicitly associated to goals) (annual and medium-term targets (if possible))
- Program outputs/activities (brief description and information concerning the estimated allocated resources and production level)
- Allocated resources information: by input/object class, units (if it's necessary)
- Specific expenditures information: personnel (job positions,..), key investment projects,..

# Program annual performance reports

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- ❑ Program annual performance reports are the documents which contain information concerning the execution and achievement of the strategic and performance elements specified in the program performance plans. Can be integrated within Ministry Annual Reports
- ❑ Elaborated by line ministries (following MoF's guidelines and instructions) after the end of the fiscal year and submit the to MoF.
- ❑ Must be elaborated in a timely manner (3-4 months after the end of FY?) in order to allow to its analysis and consideration for next budget elaboration (2 year gap of information use)
- ❑ Should focus on deviations identification and explanation, on ways (proposals, ideas, lessons, ..) to improve program's performance, and also performance data quality improvement
- ❑ Information integrity should be reviewed/audited

# Program annual performance reports

---

- Possible main contents of a program annual performance reports:
  - General statement of program's performance
  - Budget execution information (by line item/object class, unit, subprograms/outputs,...)
  - Program performance measures information (values obtained and deviations (% , +/- ,...))
  - Program performance assessment: assessment of goals achievement and description and explanation of the causes of deviations (linked to budget execution, output/production level, changing context and other)
  - Proposals to improve performance information data quality
  - Proposals to improve program's performance (no  $\Delta$  resources!)

# Program annual performance reports

---

- Program annual performance reports should answer to the following questions:
  - Expected goals and results have been accomplished? Why?
  - What have been done to accomplish expected results? It worked? Why?
  - There have been internal or external elements
  - What we've learned and what we can do to improve program's performance?
  - Goals and performance measures were relevant and correctly specified to set and measure program's performance? And the established values? How it can be improved?

# General recommendations concerning performance budgeting main documents

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- ❑ Keep it simple and avoid too much data or information elaboration (focus on key contents of the documents)
- ❑ Focus on data quality and relevance
- ❑ Adapt structures and contents to specific country's needs and budget context to be useful to support budget allocation decisions and management
- ❑ Training and development of IT systems are required
- ❑ MoF's assistance and guiding to line ministries is essential
- ❑ Need to schedule (and to time) documents elaboration and tasks in the budget calendar
- ❑ Promote documents' use to improve planning and performance of government's operation (performance learning and improvement)

# Performance Budgeting

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*Performance Budgeting  
experiences*

# Performance budgeting experiences

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- United States
- France
- Chile
- Catalonia (Spain)

# United States

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- Long history of budget reforms at federal administration:
  - 50's Hoover Commission and *Budget and Accounting Procedures Act* → "old" performance budgeting
  - 60's Planning Programming Budgeting System (PPBS)
  - 70's Jimmy Carter's Zero-based budgeting
  - 90's Government Performance Results Act (GPRA). Established the following requirements for federal agencies/departments:
    - Establish a system to link annual performance plans and reports, with the base of a strong connection resources allocated and results obtained
    - Strategic Plans elaboration (5 years vision to be reviewed every 3 years)
    - Annual Performance Plans elaboration (specify program goals/targets and its link to the strategic plans and budget allocations)
    - Annual Performance Reports elaboration (show goals achievement level and deviations justification)

# United States

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- 2000's G.W. Bush reform
  - Reform to reinforce and improve GPRA (lack of quality on goals and performance measures and no integration between performance information and budgeting)
  - General public sector reform based in 5 points → on of them the "Budget and Performance Integration"
  - Goal → improve GPRA structures and increase performance information at deciding budget allocations
  - Creation of the Program Assessment Rating Tool (PART)
  
- Obama's administration
  - Government Performance and Results Act Modernization Act (2010)
  - PART replacement
  - High Priority Performance Goals ("Priority goals") (OMB conducts quarterly reviews )
  - Program evaluation initiative

# United States - PART

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## □ Program Assessment Rating Tool (PART)

- It was a tool used during G.W. Bush Administration to evaluate and rate federal program's performance (and use this information for management and budgeting purposes)
- It was created at 2002 and operative until 2008. Purpose to evaluate every year a 20% of programs, being concluded at 2006 the first round of evaluation of all programs
- Based on a questionnaire of around 25 questions, divided in 4 different sections (with specific question for concrete program types)
- Questionnaire answered by Office of Management' and Budget's (OMB) budget analysts
- Questionnaire provided a score for every program evaluated, and the score allow to programs to be rated in the following categories: Effective, Moderately Effective, Adequate, Ineffective and Results not demonstrated

# United States - PART

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Section	Score (weight)	
<b>Program purpose and design</b>	20%	Program design, congruence and clearness concerning its purpose is assessed (5 questions)
<b>Strategic Planning</b>	10%	Assessment of (long-term and short-term) goals, targets and objectives validity and the coordination and collaboration with programs of other departments and agencies (8 questions)
<b>Program management</b>	20%	Program management is assessed in terms of goals and financial management and efforts to improve internal program management (7 questions)
<b>Program results/accountability</b>	50%	Assessment of goals achievement based on program reports and other evaluations conducted (5 questions)

# United States

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The Federal government is working to ensure its **programs work better** so your taxpayer dollars buy more and go farther every year. Here we provide you information about where we're **successful** and where we **fall short**, and in both situations what we're doing to **spend your money better** next year.

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- Show me programs that are **NOT PERFORMING**

Show me programs by name or keyword:  
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[advanced search]

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The White House FIRSTGOV U.S. Office of Management and Budget

# United States

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- Obama's administration approach:
  - Government Performance and Results Act Modernization Act (2010) requires:
    - Quarterly performance reviews of Federal policy and management priorities
    - Establish Chief Operating Officers, Performance Improvement Officers, and the Performance Improvement Council,..
  - High Priority Performance Goals (Priority Goals):
    - Key outcome goals to be achieved in a 18-24 months period with no additional resources or legislative action.
    - Achievement Responsibility to "Goal Leaders"
    - OMB conducts quarterly reviews of agency progress on all Priority Goals
  - Program evaluation initiative
    - Encouragement of rigorous program evaluations (funding)

# France

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- Previous budget reforms at 60's 70's (RCB/PPBS)
- Performance budgeting implementation started at 2001, with passing the *Loi organique relative aux lois de finances* (LOLF), but effective implementation really started with Budget 2006 (2001-2005 preparation works)
- LOLF established:
  - Budget resources are allocated to programs and programs are grouped by "missions". Parliament debate and allocations approval are set by missions<sup>6</sup>
  - Develop a cost accounting system (program/activities costing)
  - As an annex to annual budget documentation, Government must present "Annual Performance Projects" (PAP) for each program

# France

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- As an annex to Budget outturn documentation (*loi de règlement*), Government must present “Annual Performance Reports” (RAP) for every
- France has a formal and performance-oriented functional and program classification based on “missions”, “programs”, “actions” and “subactions”
- Responsibilities for program performance are clearly set to its corresponding ministry (or even multiple ministries if it’s an “interministry program”)
- As a counterpart of increased pressure on performance and accountability, more flexibility has been given at input management (*fongibilité asymétrique / asymmetrical flexibility*)

# France

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- PAPs are the main documents on ministries set the annual performance targets of their programs. PAP contains the following information:
  - Program and actions presentation
  - Goals and performance measures definitions and targets
  - “Allocations justification to the first euro”
  - Identification of the program’s operators
  - Costs of the program and of its actions
  
- 3 main types of performance goals and measures are set: socioeconomic effectiveness (citizen’s perspective), services quality (client perspective) and efficiency (taxpayer perspective)
  
- PAP has their territorial and organization brake down into the Program Operating Budgets (BOP). BOPs are the adaptation and specification for its concrete context of the corresponding PAP’s goals, targets and outputs. BOPs allow to align strategy and set performance responsibilities at different levels of the public sector

# France

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- ❑ RAPs are based on PAPs' structure and allow to ministries (and BOP managers) to describe and argument their performance to the Parliament and also to the citizenship.
- ❑ RAPs information is used at the budget elaboration process
- ❑ PAPs and RAPs information is reviewed by the Program Audit Interministerial Committee (CIAP)
- ❑ Parliament plays a bigger and more value-added, allocations approval are set at "mission" level and exists the possibility to modify proposed program allocations, but without altering mission global level of resources
- ❑ Since the adoption of a multi-year budgeting system, performance information have been integrated in the process of General Review of Public Policies (RGPP)

# Chile

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- ❑ After turning to democracy at early 90's, a fiscal discipline budget reform was taken. Few years after a performance management and budgeting reform was taken (*Sistema de Control de Gestión*), however its full implementation started at 2000/2001.
- ❑ Chile's budget programs are specified at the different ministry units.
- ❑ "Strategic definitions" (annex of budget documentation) are the documents where every ministry unit specifies their institutional mission, the group of main outputs to be provided, the strategic goals to achieve and its related performance measures. Outputs are associated to the goals that contribute.
- ❑ The performance measures types that are considered are: economy, efficiency, effectiveness and quality for the dimensions of "process" (activities/suboutputs), "product" (outputs) and "result" (outcomes)

# Chile

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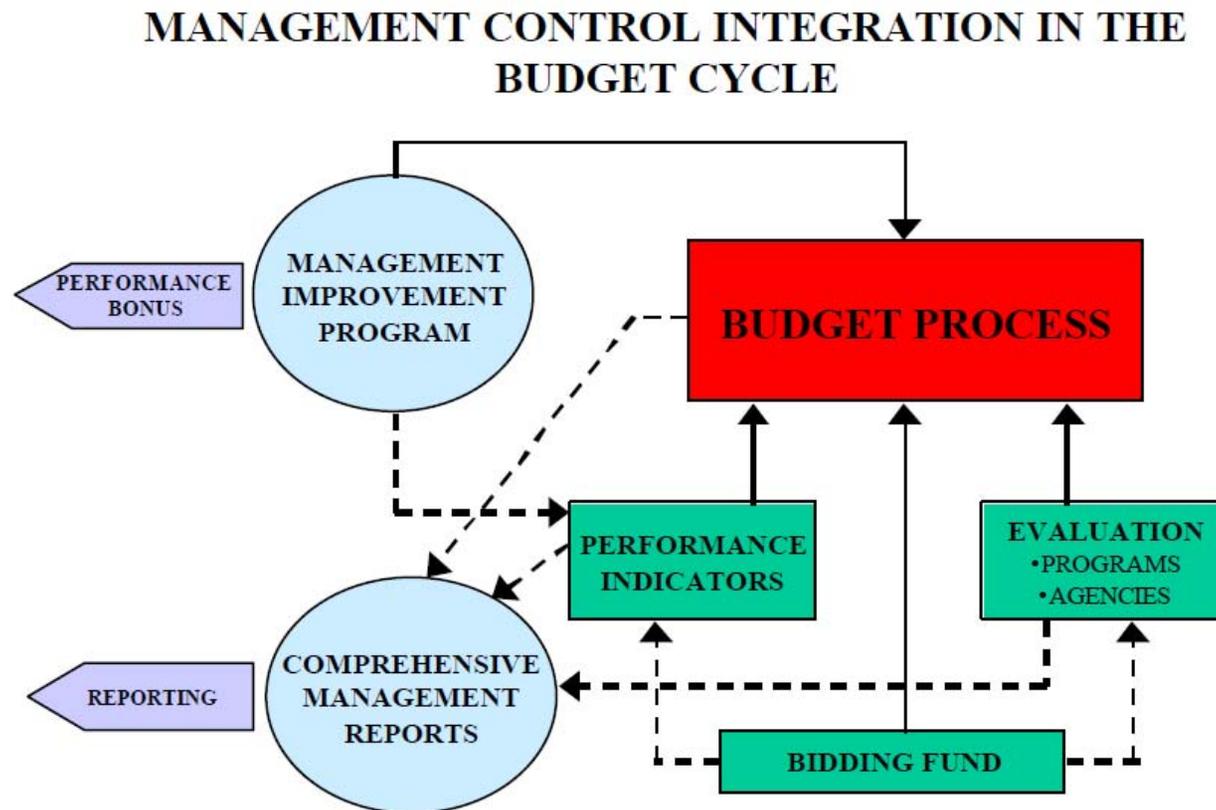
- Ministries must present their Comprehensive Management Report (BGI) to the National Congress. BGI contains detailed information about:
  - Internal and external factors that influenced ministry's performance
  - Consumption of resources (allocations/financial and physical)
  - The level of achievement of expected goals/targets
  - A list of potential challenges and proposals for the next budget
  
- To reinforce the use and analysis of performance information, and its integration with the budget process, Chile has a complete system of ex-post evaluations, which is performed by independent staff:
  - Government Program Evaluation (EPG): assessment of program's design, organization and management, results/performance and its need, sustainability and continuity

# Chile

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- Impact evaluations: deep analysis and evaluation of the impact/outcomes of program outputs (using policy evaluation techniques)
- Comprehensive Management Reports: evaluation of ministries regarding internal design and organization, the management of key processes, the use of resources to provide key outputs and the results obtained in last years
- To increase performance and budgeting integration and incentives, Chile also displayed the following tools:
  - Management Improvement Program (PMG): a system of ministry management improvement goals that links performance and personnel compensation
  - “Bidding Fund”: a fund of additional resources to allocate to competing ministries for expansions and new initiatives, considering past performance and expected performance of proposed activities

# Chile



# Catalonia (Spain)

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- ❑ Performance budgeting introduced in 2005 (Budget 2006), in a big bang approach, along with other public budgeting reforms (all entities integration and consolidation, transparency, MTBF,..). Goal → implement an “indirect link approach”
- ❑ Lack of implementation strategy and sequencing
- ❑ Reform supported by the Chancellor of Economy and Finance, but not taken as a Government key reform
- ❑ Reform implemented without legal framework or requirements
- ❑ Traditional administrative culture → management oriented to legal compliance and input controls, not to performance
- ❑ Previous sound budgeting input controls and accounting procedures (but without cost accounting system). In previous years improvement of budgeting and accounting IT systems

# Catalonia (Spain)

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- ❑ Performance budgeting based on budget program structure (some redefinition works on 2005)
- ❑ Initially Program Performance Plans were establish at every combination of program-"management center" (department DGs/Secretaries and entities).
- ❑ Every year Program Performance Plans information relevance and quality have assessed (scored) by Dept. of Economy and Finance (DoF) staff and recommendations submitted to line departments (helped to obtain some improvements)
- ❑ Every year Program Performance Reports were submitted from line departments to the (DoF)
- ❑ Program Performance Plans have been published every year, Program Performance Reports not

# Catalonia (Spain)

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- ❑ Training: close to 1,000 government staff attended to performance budgeting training activities (workshops, conferences,..) between 2006 and 2011
- ❑ Existence of higher Strategic frameworks (Government Plan, Department Strategic Plans) but lack of integration and alignment with Program Performance Plans
- ❑ Some pitfalls with budget program structure: not outcome-focused, not balanced, not aligned with department's main outcomes/functions and without consideration of its related resources
- ❑ Too much strategic and performance data (more than 500 program performance plans, close to 2,500 performance measures,..), with lack of relevance and quality (too based on inputs and outputs (not in outcomes)). Definition at "management center" lead information to be too operational and not outcome focused

# Catalonia (Spain)

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- Program evaluations not systematized. Only some evaluations conducted by external organization and some analysis of program performance reports
- Program performance information not integrated in budget allocation decision process: still input based and only used to present/inform policies → “Presentational” performance budgeting
- Some changes taken for Budget 2012 to improve performance budgeting implementation:
  - Review and redefinition of the budget program structure
  - Alignment and integration with higher Strategic Planning levels
  - New dual Program Performance Plan structure: key strategic and performance data (with new required information) at department level and operational issues defined at “management center level” (with specification of its contribution to department goals)

# Catalonia (Spain)

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- Some works to be done for Budgets 2013-...:
  - Passing a new Public Finance Act (to institutionalize and set requirements concerning public budgeting reforms)
  - Definition of a implementation strategy, pacing steps to be done
  - A new performance data improvement strategy (working groups)
  - Development of a subprogram structure, based on program output groups (to facilitate program analysis)
  - Improvement and publication of Program Performance Plans
  - Improvement performance analysis skills (DoF and line departments)
  - Improvement of budget request system → performance focused
  - Definition works concerning a system of program evaluations: soft program evaluations to be conducted by DoF staff and “deeper” (implementation, impact) evaluations to be done by external evaluation agencies
  - Change of budget negotiation information: to be focused on programs and introducing program performance assessments information



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# Performance Concepts and Measurement

Baghdad, Iraq

Public Financial Management Reform Team

April 2013



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This session:

- Refresher on performance concepts
  - Outcomes, outputs, activities/processes and inputs
- Outcomes – more detail
  - Followed up in next session



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# PERFORMANCE CONCEPTS REFRESHER



## Outcomes

- Desired impacts of services:
  - Upon the individuals, social structures, or physical environment
- Examples:
  - Improved health of patients
  - Reduced crime
  - Conservation of natural environment
- *Effectiveness* an outcome concept
- *High-level vs Intermediate* outcomes





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## Outputs

- Outputs = products
  - But in govt, most are services, not goods
- Services to external client or subject
- Examples of outputs:
  - A school student who receives teaching
  - A patients treated in a public hospital
  - Benefit payment administered
  - Enforcement of legislation
- Quantity, quality & efficiency measures
- Outcomes & outputs = “results”



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## Output Definition

***The receipt by an external client/subject of a set of activities considered capable of inducing a desired outcome in that client/subject***



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## Inputs

- Resources used to produce outputs
  - Human & organizational resources
  - Physical assets
  - Materials and other inputs
  - Some purchased, some created internally
- Workforce indicators
  - Training conducted, staff turnover etc
- Asset indicators
  - School classrooms per school-age child



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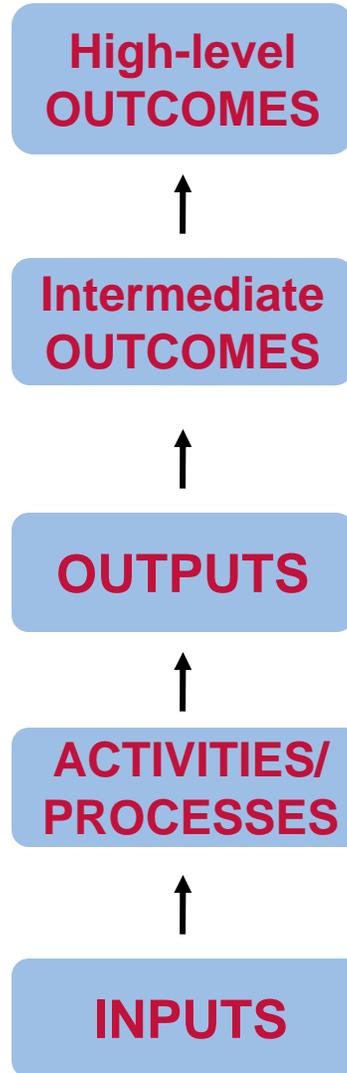
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## Activities and Processes

- Activities produce outputs
  - Support activities – human resources, IT ...
  - Direct service activities – nursing
  - Processes: sequence of activities
- Activity indicators
  - Job vacancies filled
  - Pension applications processed
- Activities are not outputs
  - Not capable alone of delivering outcome
- Quantity, quality and efficiency measures



## The Results Chain





**OUTCOME**

**Intermediate  
outcome**

**Intermediate  
outcome**

**Intermediate  
outcome**

**Output (service)**

**Results  
Chain  
Example**

**Fewer people develop  
smoking-related diseases**



**Fewer people smoking**



**Fewer people take up  
smoking**



**People view smoking  
negatively**



**Awareness on health  
dangers of smoking**



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## Ministry Perspective

- Outcomes and outputs delivered to external parties
- For individual ministries, this includes services to rest of government
  - Not just to the community
- Civil service ministry example:
  - Output: recruitment of civil servants
  - Outcomes: a better quality civil service, improved governance



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Outcomes: some questions ...

*What are the intended outcomes of:*

- Anti-pollution programs?
- School education?



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Outputs: some questions...

- Patient given anesthetic before operation
  - Is an output provided?
  
- Roads and bridges
  - Are they outputs? If not, what is?
  
- Educational output: the best measure is:
  - Teaching hours? Numbers of students taught?



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## Output quality vs. Outcomes

- What is quality?
  - Focus here on quality of output (service)
- Service characteristics
  - Which tend to improve outcomes
  - E.g. correct and timely treatment in hospital
- Quality not same as outcomes
  - Quality doesn't guarantee outcome
  - Increases probability of outcomes
  - On average, should improve outcomes



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# OUTCOMES



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## Measuring outcome variables

- Outcome is impact on, e.g., level of:
  - Crime, pollution, literacy, patient health
- Measuring *outcome variable* first step:
  - Level of crime
  - Measure of health status, etc ...
- Measures of change in outcome variable:
  - *Improvement* in crime rate
  - *Change* in pollution level, etc ...



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## Measurement Challenges

- Accurate measurement of outcome variable not always easy:
  - Reported vs. actual levels
    - E.g. crime rate: not all crimes reported
    - Reporting rate may fluctuate
  - Measuring “softer” outcome variables
    - E.g. level of racial tolerance
  - Multiple dimensions outcome variables



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## Questions....

- Suppose rate of HIV/AIDS doesn't fall:
  - Despite major public awareness program
  - Does that mean that the program was completely ineffective
  - I.e. that it had no outcome?
- Suppose the crime rate increases:
  - Despite intensive policing effort
  - Does that mean that the police are delivering no outcome?



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## Outcome variable vs. outcome

- Outcome is government's impact
  - Improvement in outcome variable
  - As a result of government intervention
- Examples:
  - *Reduction in crime rate due to policing*
  - *Improvement in health status resulting from treatment*
- Outcome variable doesn't measure this:
  - Government impact
  - Nor does the change in outcome variable



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# Outcomes and Outputs

Baghdad, Iraq

Public Financial Management Reform Team

April 2013



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## This Session

- Look at outcomes and external factors
- Output definitions
- Defining the unit of output



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# OUTCOMES & EXTERNAL FACTORS



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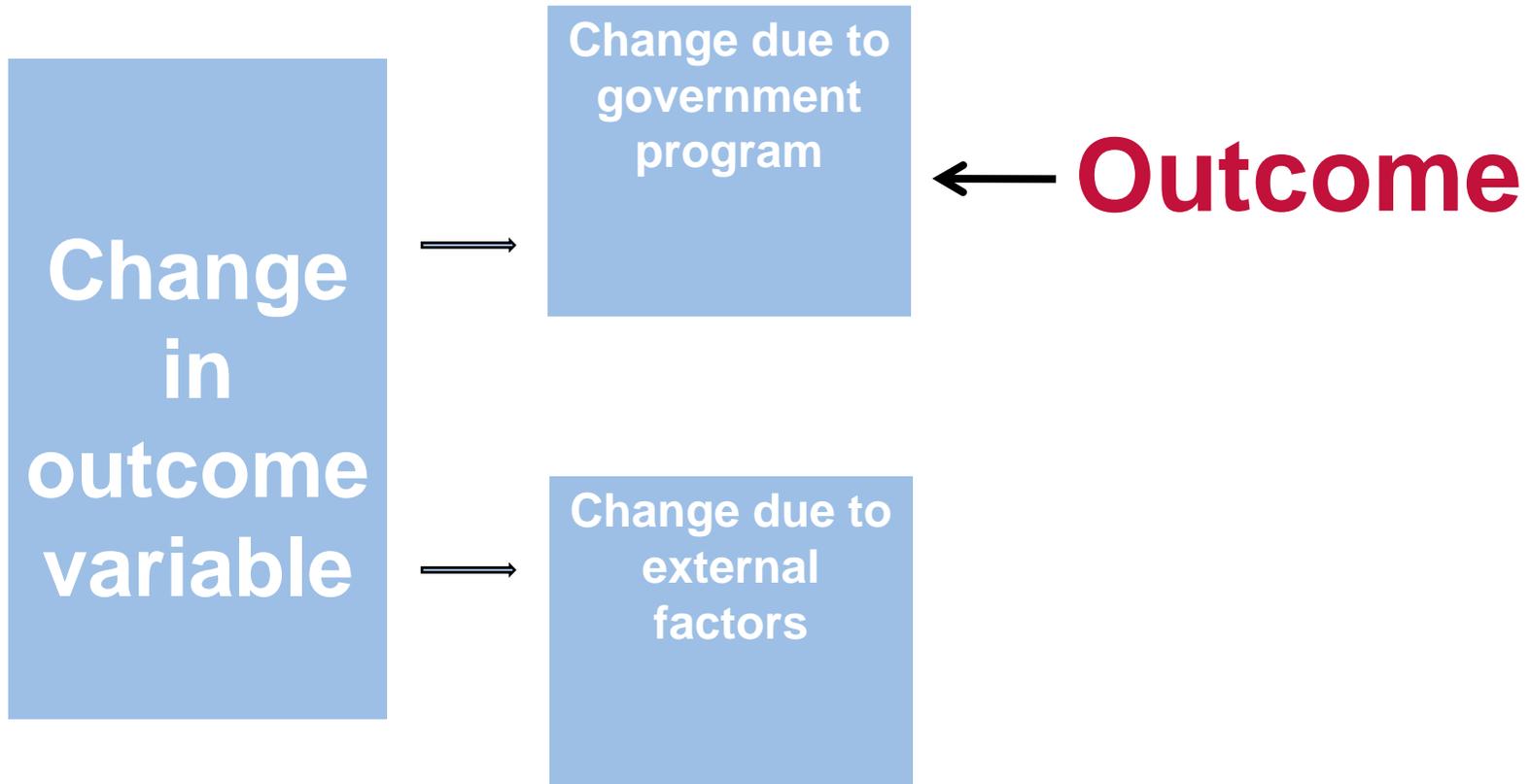
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## External Factors

- Outcome variables affected by uncontrollable factors:
  - E.g. external environment of program
  - Global economy → poverty rate
  - Climatic conditions → air pollution levels
- *External factors*
  - Also *contextual factors* and *confounding factors*
- Outcome measures
  - Should ideally exclude external factors
  - Practical challenge of doing so



## Outcomes vs. external factors





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## Value Added Education Measures

- Example of outcome measure which adjust for external factors
- Client characteristics as external factors
- Student characteristics impact
  - Family background
  - Student ability
- For example:
  - Low socio-economic background
  - Parents don't speak the national language



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## Value Added Education Measures

- Disaggregate data by student type
  - Enables more meaningful comparisons
- Improvements over time, e.g.
  - Increase in literacy between ages 10 and 12
- Value added adjusted league tables
  - Composite measure of student achievement
  - Adjusted for relevant student characteristics
  - Increasingly widespread



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## External Factor Adjustments

- Some other methods of adjustment
- However, often not possible to adjust:
  - Randomness of many external factors
  - Difficulty in measuring impact of others
- Most outcome measures contaminated by external factors
- Interpreting outcome measures:
  - Recognize external factors
  - Assess their likely impact



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## Output Definition:

***the receipt by an external client/subject of a set of activities considered capable of inducing a desired outcome in that client/subject***



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## Defining the Unit of Output

- Is the output of a university
  - Courses completed?
  - Courses where the student passes?
  - Something else?
- Is the unit of output for medical treatment
  - Each treatment – e.g. a single visit to doctor?
  - Whole course of treatment for a condition?
  - What about readmission if problem not resolved: a new output, or part of the same?



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## Output Completion & Outcomes

- Completed output definition crucial
  - Example of course of tetanus injections
  - Danger that half-finished products counted
- **But** *successful output* definition is wrong
  - Outputs don't necessarily achieve outcomes
  - E.g. medical treatment may fail
  - Even if high quality
  - Only appropriate if no external factors
  - Completion of park gardening can be defined by achievement of outcomes (cut lawn etc)
- Must be *capable* of delivering outcome



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## Definition based on activity set

- Works for more *standardized* outputs:
  - Defined set of activities to every client
    - Motor license testing
  - Completion unambiguously on this basis
- Heterogeneous ('tailored') outputs:
  - Set of activities deliberately varied
  - Due to client/case characteristics etc
  - Completion of output harder to define
  - Cost per unit may be quite variable
  - Minimum set of activities might be set



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## Some approaches:

- Casework outputs
  - Unit of output completed when
  - Client & Caseworker agree it's closed, or
  - After an arbitrary time-period with no service
  - Unavoidably imperfect measure
- Medical outputs
  - Can include or exclude readmissions



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## Availability & equity measures

- Availability an important measure
  - Denials for mental health or substance-related services per number of requests in 12-month period
- Equity-related output measures
  - Level of provision by demographic group
  - Service availability by group



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## Efficiency

- Unit cost measures
- Cost allocation crucial
  - Can't do on ad hoc basis
  - Need accounting system which allocate costs to outputs
- Indirect (shared) costs
  - Overheads like finance, IT
  - Simple allocation methods
  - More complex: e.g. activity based costing



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## Interpreting unit cost indicators

- Cross-sectional or time-series
- Determinants other than efficiency
  - Scale
  - Cost disabilities
- Comparisons of like with like
- Heterogeneous outputs and unit costs
- Contingent capacity services
  - Fire services      example
  - Unit costs are unstable



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# Program Measures and Targets

Baghdad, Iraq

Public Finance Reform Team

April 2013



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## This Session

- Selecting program performance indicators
- Performance Targets
- Performance measurement systems



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# PROGRAM INDICATORS



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## Program Indicators I

- Each program must have key indicators
  - The right indicators
  - Not too many
- Objective of program indicators
  - Inform budget decision-makers (politicians and senior officials)
  - Inform the public
- Primarily outcome and output indicators
  - Rather than activity or input indicators
- Different from internal management indicators
  - Where activity and input indicators are very useful.



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## Program Indicators II

- Policy on type and number
- France:
  - Effectiveness, quality & efficiency indicators
  - No effectiveness indicator for management programs
- Canada:
  - No more than 3 indicators per program



# Canadian Performance Measurement Framework

**Strategic Outcome:**  
Increased productivity, earned incomes and job creation in the Atlantic region of Canada

Access to Capital for Innovation Program:

Expected Result: Improved growth and competitiveness of Atlantic SMEs.

- PI:**
1. Survival rates of assisted firms
  2. Productivity growth rate for ACOA Assisted firms vs non assisted ones
  3. % increase in payrolls for ACOA assisted firms

**Outputs:** Grants to selected organisations  
Advice on business plans

Foreign Investment Program

**ER:** Increased FDI in Atlantic Canada

- PI:**
1. # of qualified investors found
  2. # of investors who invest in Atlantic Canada
  3. \$ value of FDI

**Outputs:** Promotion events held  
Research and Special studies

Tourism Program

**ER:** Increased growth and competitiveness of the tourism industry.

- PI:**
1. Tourism related revenue in Atlantic Canada.
  2. Payroll growth for ACOA assisted firms vs. non assisted ones

**Outputs:** Public/private strategies for niche tourism  
Grants to selected organisations  
Promotional events



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# PERFORMANCE TARGETS



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## What are Targets?

- Expected level of performance
  - Measured by a performance indicator
  - Timeline for achievement
- Aim to motivate performance
- Examples:
  - Increase proportion of literate 11 year-olds from 63% to 80% by 2002
  - Reduce unit cost of passport processing by 5% by 2011
- *Standards* are a type of target
  - Minimum expected level of performance



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## Don't confuse targets with

- Objectives (outcomes or other)
  - E.g. increase police investigation success rate
  - E.g. improve efficiency of visa processing
  - Contains no quantitative aim.
  - Valid on a continuing basis
- Statements of aspiration
  - e.g. zero complaints; abolition of poverty
  - Not *expected* realistically to achieve these
  - Direction to work towards



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## What makes a good target?

- Focus on key priority or problem
- Based on the right PI
- Clear ownership of target
- Consistent with other targets
- *SMART* criteria:
  - Specific, measurable, achievable, relevant, time-bound



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## Perverse Effects and Gaming

- Unintended adverse consequences
- Examples
  - Quantity target, quality suffers
  - Creaming & dumping
- Gaming: telephone response example
- Things not counted in the targets
- Careful design of targets will reduce
- But can't eliminate



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## Selectivity in central targets:

- Danger of setting more targets than are monitored and acted on.
- Don't set more than can be
  - Verified (audit role)
  - Monitored (by relevant central ministry)
  - Followed up (intervention where needed)
- Don't set targets for all indicators
  - Not all indicators in budget or reports
- Programs defined by objectives, not targets



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# PERFORMANCE MEASUREMENT SYSTEMS



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## Performance Measurement System

Data Collection

Data Processing

Indicator Validation

Indicator Presentation



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## An Integrated Performance Measurement System:

- Cost-effectiveness a key concern
  - Financial and skilled HR cost
- Measures not only a tool for budgeting
  - Strategic planning; HR management etc...
- Uncoordinated measure development:
  - Separate collection, processing, verification
  - Raises costs significantly
  - Excessive number of measures overall
- Integrated system required



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## Data Collection:

- Ministry/agency records:
  - Best use of client service records
  - Expand client data where appropriate
- Expand use of surveys, samples etc
  - Particularly for better outcome measurement
  - School testing, environmental monitoring
  - Methodology: sample sizes etc
- Other sources: e.g. national statistics
- Efficient data collection practices



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## Data Processing:

- Range of alternative approach:
  - Most high-tech, expensive solution
- PM Module in IFMIS
  - Simplest approach
- Country-by-country approach
  - Simple option best in developing countries?
- Output unit costs & accounting system
  - Area where interface most needed



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## Indicator Reliability and Validation

- Assuring reliability of reported data
  
- Agency indicator quality assurance:
  - Reconciliation and other checks
  - Good data entry training
  - Controls on who can access system, etc...
  
- Clear assignment of responsibility:
  - Who is responsible for what
  - Within the agency



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## Review of Indicator Choice?

- Choice can't just be left to ministry:
  - Right PMs for performance budgeting
  - Ministry of Finance involvement essential
- France: indicator choice reviewed by:
  - Interministerial committee (CIAP)
  - Parliamentary Committees
- External auditor role?
  - Exists in US and some other countries
  - Rejected in some parliamentary systems



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## Presentation of Measures

- Accessible & easy to understand
- Internal and external users:
  - Ministry managers
  - Center of government
  - Parliament and the public
- Internal users:
  - Selection of relevant indicators for each type of user
  - Summary presentation: dashboards etc
  - On-line access or regular printed reports



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# Program Accounting and Costing

Baghdad, Iraq

Public Finance Reform Team

April 2013



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## This session

- Program budgeting and the:
  - Chart of Accounts
  - Budget Classification
- Computerized financial management system & program budgeting
- Costing Programs
  - Direct & Indirect Costs
- Program estimates in budget preparation



## Accounting for Programs

- Under program budgeting
  - Budgets planned in terms of program
  - Control totals set for programs
- Need to monitor spending by program
  - Programs integrated into accounting
  - Accurate accounting by program
- Programs integrated into
  - Accounting structure
  - Computerized accounting system



## Chart of Account and Budget Classification

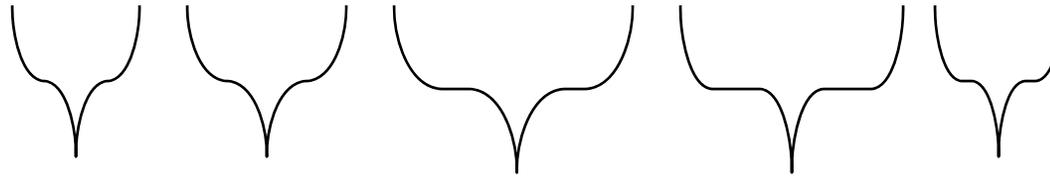
- Classification systems
  - Expenditure, revenue & other transactions
  - Filing systems for financial data
  - Basis on which accounting staff record transactions
  
- Code representing the classification
  - Sequence of numbers
  - Represents all characteristics of transaction



## Coding Example....

In absence of program budgeting (Example Only)

**1321-325-257-2**



**Ministry**

**Internal Unit**

**Economic**

**Functional**

**Fund Source**



## Chart of Account and Budget Classification

- Chart of Accounts (CoA)
  - Classification for accounting (reporting)
- Budget classification (BC)
  - Classification for budgeting purposes
  - Internal & government-wide budgeting
  - Not just *control totals*
- Should be integrated
  - All elements of BC should be in the CoA
  - CoA has additional elements not in BC



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## Core Chart of Account Elements

- **Administrative/organization**
  - Ministry and unit within ministry
- **Fund**
  - Source of funding
- **Economic**
  - Classification for budgetary compliance controls and internal management



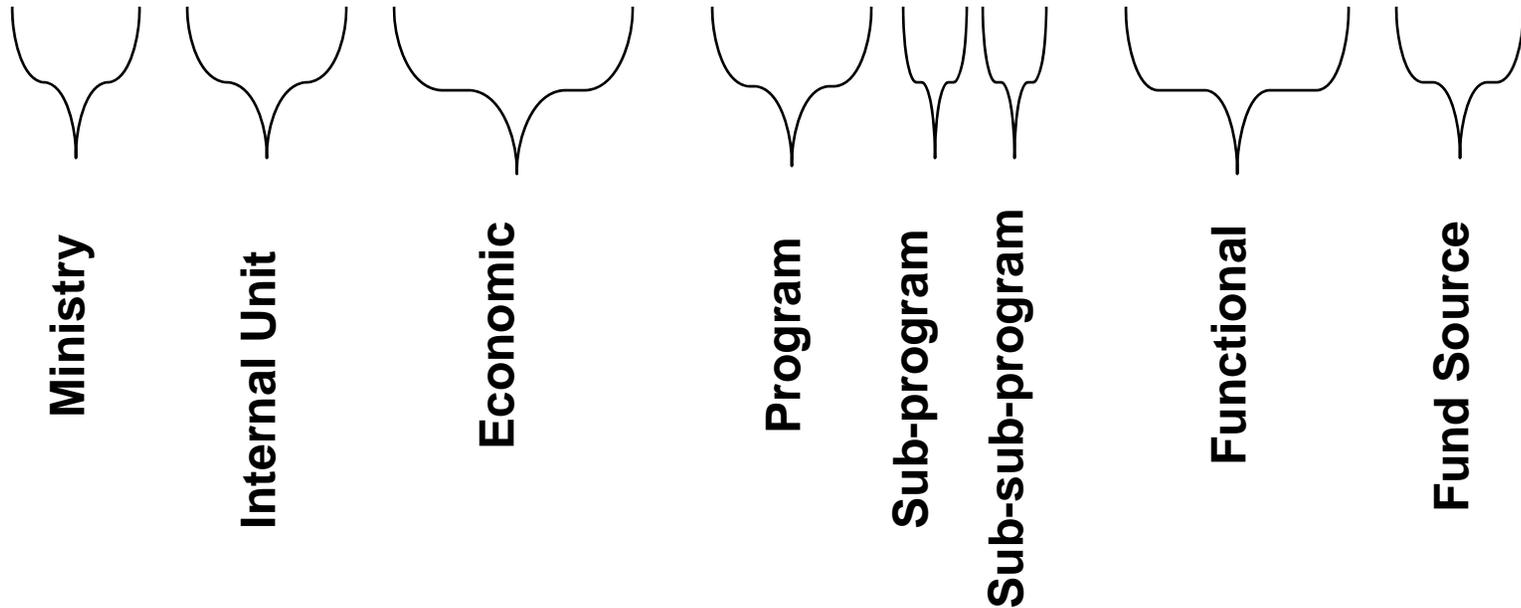
## Programs and Chart of Accounts

- Program budgeting requires
  - Incorporation of programs in Budget Codes (BC)
  - And therefore in the CoA
  
- Full program hierarchy incorporated
  - Sub-programs etc....
  - Separate code digits for programs, sub-programs and sub-sub-programs
  - If, say, three-level hierarchy



## Coding Example....adapted to program budgeting

**1 321-325-145 6 9- 257- 2**





## Financial IT Systems

- Budgeting based on IT systems
- Accounting system is computer-based
  - Must incorporate programs
- Other budget execution functions of IT
  - Expenditure control
  - Payments (usually), etc....
- Computerized budget preparation often
- Program budgeting demands all of these are program-friendly



## IFMIS vs. Separate Systems

- Separate systems which interface
  - E.g. payment system which draws on data from expenditure control system, but is separate
  
- IFMIS
  - *Integrated* financial management information system
  - Multiple function all part of same system



## Program Budgeting and IT

- PB doesn't necessarily *require* an IFMIS
- IT systems must be program friendly
  - Whether multiple or integrated system
- Option of modifying “legacy” systems
  - Some may be hard to modify
- Option of program-friendly IFMIS
  - Implementation can take years
  - Performance module not necessary
  - Simple spreadsheets will work



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## Cost Allocation

- Accounting accurately by program
- Allocating expenditure on inputs to programs
- A task for *management accounting*
- Two aspects
  - Direct costs
  - Indirect costs



## Direct Cost Allocation by Program

- Expenditure items which contribute to only one program, such as
  - Staff who only work on one program: e.g. teachers, education ministry staff who manage school system
  
- Must record against relevant program
  - Recording personnel expenditure by program
  - Accounting system has to change in many countries to do this



## Indirect Costs

- Inputs which contribute to more than one program
- Ministry overhead services
  - HR, IT, financial management
  - Support services, not outputs
  - No outcome of own... support others
- In principle, should allocate
- So all programs results-based
- Complex accounting task



## Cost Allocation Methodologies

- How to allocate indirect costs?
- Method known as *allocation basis*
  - Also as *cost-drivers*
- Often simple allocation basis uses
  - E.g. by staff count
  - Or in same proportion as direct costs
  - Can be very inaccurate
- Ideally, allocation basis should reflect
  - Contribution to each program



## How to handle indirect costs?

- Indirect costs trade-off
  - Accurate allocation comes at high price
  - Resource and cost intensive
  - Crude allocation essentially worthless
- Administration program option
  - Many indirect costs go to administration programs and sub-programs
  - Minimize/avoid indirect cost allocation
  - Discussed in later session....



## Program Hierarchy and Costing

- Program costing becomes more complex the more levels of hierarchy
  - Need to allocated costs at lowest level
- Simplest option
  - 2 levels only to the program hierarchy
  - Programs and sub-programs
  - 3<sup>rd</sup> Level only for capital projects



## Estimating Program Costs

- What method for estimating program costs for budget preparation?
- Output based formula estimation?
  - No. of planned outputs times unit cost?
  - Or program activities times their cost?
  - Very complex method
- Incremental approach more sensible
  - Last year's program cost adjusted for policy changes and cost changes



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# Medium-Term Budget Frameworks

An essential tool in ensuring fiscal sustainability  
and achieving fiscal objectives

Baghdad, Iraq

April 2013

Public Financial Management Reform Team



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## Medium-term Budget Frameworks Outline of Presentation

- I. What is Medium-term Budgeting?
- II. Preconditions
- III. Main Elements
  - a. Commitment mechanisms
  - b. Prioritization mechanisms
  - c. Delivery mechanisms
  - d. Accountability mechanisms
- IV. Country Examples
- V. Conclusions



## What is Medium-Term Budgeting?

The set of institutional arrangements used for formulating, presenting and restricting multi-year revenue and expenditure variables.

### Control

- Medium-term expenditure ceilings
- Commitment controls
- Reconciliation requirements

### Prioritization

- Forward estimates **structure**
- Quality assurance of revenue and expenditure forecasting

### Predictability

- Forward estimates **status**
- Indexation mechanisms



# I. What is medium-term budgeting?

## Objectives

What MTBFs Do	How They Do It	Who Benefits
<p><b>1. Reinforce aggregate fiscal discipline</b></p>	<ul style="list-style-type: none"> <li>✓ presenting deferred effects of today's decisions</li> <li>✓ imposing restrictions on future budgets</li> </ul>	<p><b>Finance Ministers</b></p> <p><b>Taxpayers</b></p> <p><b>Future Generations</b></p>
<p><b>2. Facilitate a more strategic allocation of expenditure</b></p>	<ul style="list-style-type: none"> <li>✓ early reaction to future adverse developments</li> <li>✓ abstracting from annual legal and administrative constraints</li> <li>✓ provide an additional dimension in policy making</li> </ul>	<p><b>Prime Ministers</b></p> <p><b>Line Ministers</b></p> <p><b>Parliamentarians</b></p>
<p><b>3. Encourage more efficient inter-temporal planning</b></p>	<p>providing greater transparency and certainty to budget holders about their likely future resources</p>	<p><b>Line Ministries</b></p> <p><b>Agencies</b></p> <p><b>Local Governments</b></p>



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## II. Preconditions

- a. Credible Annual Budget
- b. Prudent Medium-term Macroeconomic Projections
- c. Stable Medium-term Aggregate Fiscal Objectives
- d. Comprehensive and Unified Budget Process



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Country	National objective	Supranational objective	Statutory base		Coverage		Time-frame	
			Political	Legal	Central	General	Annual	Multi-year
Australia	Balance, Debt	---	X			X		X
Brazil	Expenditure, Debt	---		X	X		X	
Chile	Balance	---	X		X			X
Canada	Expenditure, Balance, Debt	---	X		X		X	
France	Expenditure	Balance, Debt	X	X	X	X		X
Indonesia	Balance, Debt	---	X		X		X	
Japan	Expenditure	---		X	X			X
Mexico	Balance	---		X		X		X
Netherlands	Expenditure	Balance, Debt	X		X	X		X
Switzerland	Balance	---		X	X			X
UK	Balance, Debt	Balance, Debt	X			X		X



PREREQUISITE		Typical Challenges
Issue	Explanation	
<b>Budget Coverage</b>	No large extrabudgetary funds	Large Social Security and Health Funds
<b>Budget Fragmentation</b>	All expenditure authorized together	Budget split between current and capital
<b>Earmarked Revenues</b>	Limited earmarking of revenue to expenditure	Fuel surcharges for road maintenance
<b>Standing Commitments</b>	No input commitments that can conflict with overall ceiling	Laws requiring fixed budget transfer to specific purposes
<b>Parliamentary Approval</b>	Limited scope for Parliament to amend budget	Parliament can increase without finding reductions
<b>Supplementary Budgets</b>	Supplementary budgets are rare or expenditure neutral	Supplementaries are significant and impact policy



## III. Key Elements: Commitment Mechanisms

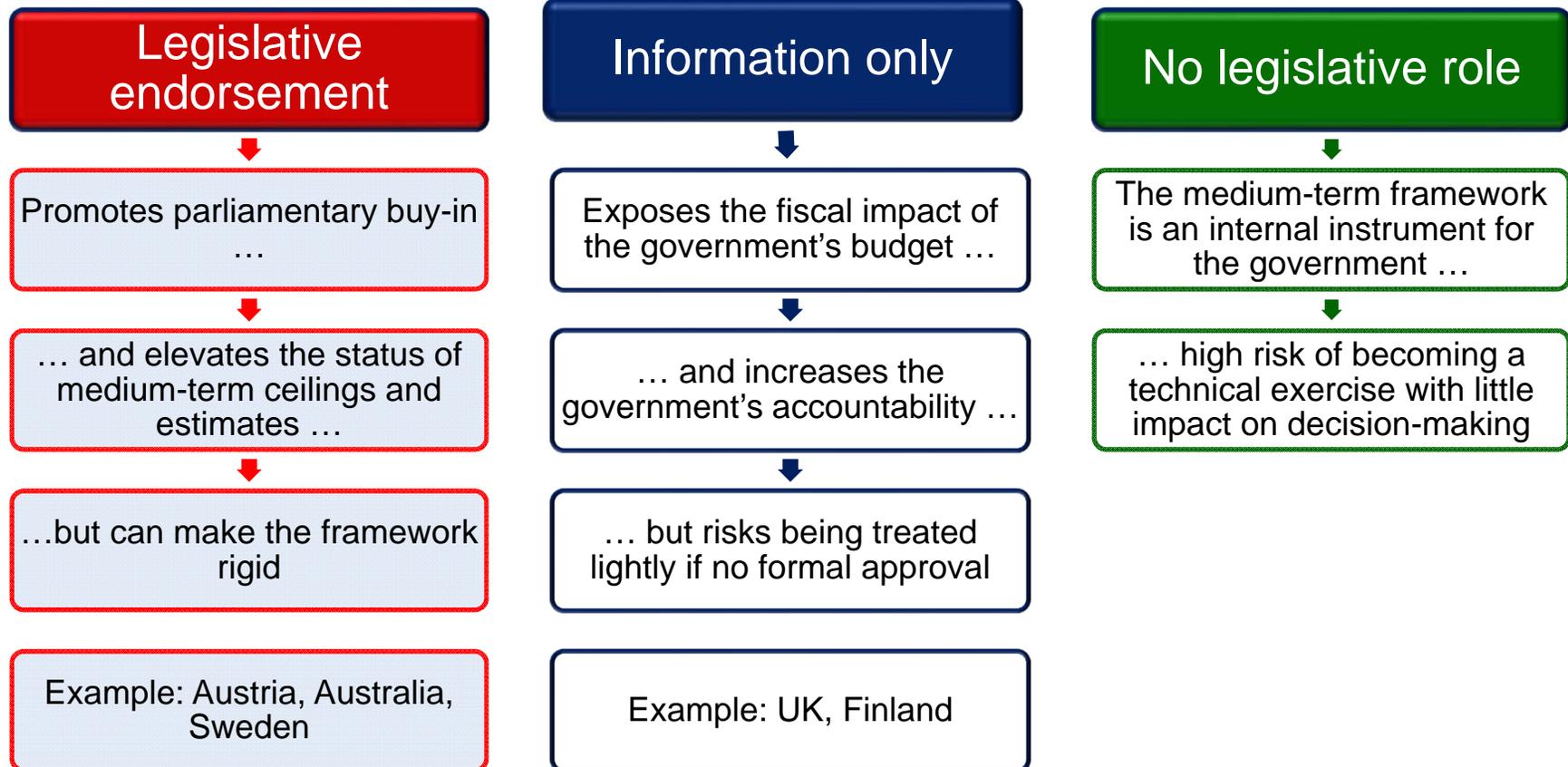
### Multi-Year Ceilings

COUNTRY	COVERAGE				SPECIFY Binding <i>Indicative</i>	TIME HORIZON Years	DISCIPLINE	
	Soc Sec	Debt Interest	Local Gov't	% of CG spending			Rolling or Flexible	Frequency of Update
<b>AGGREGATE EXPENDITURE CEILINGS</b>								
Sweden	Yes	No	T'fers	96%	Total Spending 27 Policy Areas	3	3 -4 fixed	3 <sup>rd</sup> -4 <sup>th</sup> year added each year
Finland	Some	No	No	78%	Total Spending 13 Ministries	4	4 fixed	Every 4 years
Netherlands	Yes	No	T'fers	80%	4 Sectors 26 Ministries	4	4 fixed	Every 4 years
<b>FIXED MINISTERIAL PLANS</b>								
United Kingdom	No	No	T'fers	59%	25 Depts	3	3 fixed	Every 3 years
France	No	Yes	No	39%	35 Missions	3	2 fixed + 1 Flexible	Every 2 years



## III. Key Elements: Commitment Mechanisms

### Parliamentary endorsement





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## V. Country Examples - Australia

### The Forward-Estimates model

- All revenue and expenditure are projected and presented in a 4-year perspective
  - Expenditure and revenue are captures when taking decisions
  - Planning certainty is give to implementing ministries and agencies
- Budget is structured around programs
  - Departmental allocation flow from program approval
  - Policies are emphasized in the budget presentation
- New policies assessed by Cabinet
  - Expenditure Review Committee
  - Spending, saving **and revenue** decisions given equal weight and consideration
- Decisions are binding into the future
  - Opens up greater discretion for policy changes



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## IV. Country Examples - Australia Approved Policy

- Approved policy:
  - Existing policies are fully funded
  - Profiles are presented at the time of approval
  - Budget preparation is focused on changes—expenditure increases and expenditure reductions
- Quality of projections
  - The introduction of the model was preceded by development of expenditure forecasting
  - Forecasting errors have consequences for the fiscal position
  - All estimates are updated continually (4-5 times per year)
- Parameter changes
  - Estimates are adjusted for defined parameters
- Full and automatic carry-over of unused allocations



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## **IV. Country Examples – Sweden**

### **The Expenditure Frames Model**

- Three-year ‘frames’ for each of the 27 expenditure areas are proposed for parliamentary approval in the Budget
- Frames can be revised, but there are strict rules and procedures for all non-policy-decision changes
- Revisions are reconciled in the Budget



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## IV. Country Examples – Sweden

### Assessment

- The medium-term framework has improved control over public finances and the quality of decision-making
- The ceiling is the anchor for fiscal policy ...
- ... but requires careful monitoring
- The ‘Expenditure Frames’ model supplements the aggregate ceiling and is the instrument for controlling medium-term expenditure



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## V. Conclusions

### a. No single MTBF model

- i. Aggregate vs. Ministerial vs. Economic vs. Program Ceilings
- ii. Fixed vs. Rolling Frameworks
- iii. Between 10 and 100% Coverage of Ceilings

### b. Successful MTBFs about more than ceilings

- i. Political commitment to fiscal targets and “rules of the game”
- ii. Policy planning and prioritization mechanisms
- iii. Multi-year flexibility and control systems
- iv. Transparency and accountability about forecast revisions

### c. MTBFs can't do everything at once

- i. Choice b/w fiscal discipline, allocative efficiency & dynamic efficiency
- ii. Reflected in tradeoff between coverage, specificity, & certainty of MTBF

## INTERACTIVE EXERCISE 1

### PERFORMANCE CONCEPTS AND MEASURES

**PERFORMANCE CONCEPTS:** Please scan the following list of performance indicators and determine in relation to each of the following whether it is an input (resource), activity/process, output or outcome indicator. If the measure is an output measure, please indicate whether it is an output quantity, quality or efficiency measure:

1. Tonnage of domestic waste collected,
2. Days of performance budgeting training delivered to a ministry's staff,
3. Time lost per vehicle-km due to congestion on key routes,
4. Library books/population,
5. Average processing time of old age pension claims,
6. Number of entry visas to a non-resident annually,
7. Number of inter-library loan requests handled per year,
8. Percentage of roads in good drivable condition (based on technically defined criteria),
9. Cars stolen per 1000 population,
10. Average cost of processing a pension application,
11. Number of anti-malaria bed net supplied during the year,
12. Hours of post-operative nursing of a cardiac patient.

**OUTCOMES:** Please choose one of the following government services and define its outputs, intermediate outcomes and higher level outcomes:

1. An agricultural advisory service,
2. Park ranger service in national park.

Note: for some of these there may be multiple higher level or intermediate outcomes, in which case you should focus on identifying those you believe to be the most important.

## **INTERACTIVE EXERCISE 2**

### **PROGRAM CLASSIFICATION**

Your task in this exercise is to define what you believe to be the most appropriate set of programs for a specific ministry – either the health ministry or the agriculture ministry or other – together with program titles and overall program objectives (i.e. the overarching objective of each program). In undertaking this task, you should examine the attached examples of program structures which countries have developed for these ministries. You are encouraged to outline your views on the strengths and weaknesses of these structures when presenting your groups' approach.

## Health Ministry Program Structures

### France (2010 Budget)

1. Preventative Health and Health Security
2. Health Services Supply and Quality
3. Health Insurance

### Canada (2010 Budget)

1. First Nations and Inuit<sup>1</sup> Health Programming and Services
2. Internal Services
3. Canadian Health System
4. Health Products
5. Substance Use and Abuse
6. Sustainable Environmental Health
7. Food and Nutrition
8. Pesticide Regulation
9. Consumer Products
10. International Health Affairs
11. Workplace Health
12. Canadian Assisted Human Reproduction

### South Africa (2010-11 Budget)

1. Program 1: Administration
  - Purpose: overall management of the department and centralise support services.
2. Program 2: Strategic Health Programs
  - Purpose: coordinate, manage and fund strategic national health programs, including developing policies, systems, and norms and standards.
3. Program 3: Health Planning And Monitoring
  - Purpose: plan and monitor health services and coordinate health research programs.
4. Program 4: Health Human Resources Management And Development
  - Purpose: plan and coordinate human resources for health.
5. Program 5: Health Services
  - Purpose: Support health services in provinces including hospitals, emergency medical services and occupational health.
6. Program 6: International Relations, Health Trade and Health Product Regulation
  - Purpose: Coordinate bilateral and multilateral international health relations, including donor support, regulate procurement of medicines and pharmaceutical supplies, and regulation and oversight of trade in health products.

---

<sup>1</sup> Note: “first nation” and “Inuit” refer to indigenous peoples of Canada.

## **Education Ministry Program Structures**

### **South Africa (2010-11 Budget)**

1. Program 1: Administration
  - Purpose: Overall management and administration of the department.
2. Program Two: Human Resources Development, Planning and Monitoring Coordination
  - Purpose: strategic direction in the development, implementation and monitoring of departmental policies. Coordinate activities in relation to the human resources development strategy for South Africa.
3. Program 3: University Education
  - Purpose: develop and coordinate policy and regulatory frameworks for an effective and efficient university education system. Financial support to universities, the National Student Financial Aid Scheme and the National Institute for Higher Education.
4. Program 4: Vocational And Continuing Education And Training
  - Purpose: plan, develop, evaluate, monitor and maintain national policy, programs and systems for vocational and continuing education and training, including further education and training colleges and post-literacy and health education.
5. Program 5: Skills Development
  - Purpose: promote and monitor the National skills development strategy.

### **New Zealand (2010 Budget)**

1. Interventions for Target Student Groups
2. School Property Portfolio Management
3. Strategic Leadership in the Sector
4. Support and Resources for Education Providers
5. Support and Resources for Teachers
6. Support and Resources for the Community

### **New South Wales (Australian State) (2010-11 Budget)**

1. Preschool Education Services in Government Schools
  - Service Description: The service group [i.e. program] covers the staffing and support of 100 government run preschools to provide prior-to-school learning and a transition to school.
  - Linkage to Results: This service group contributes to increased levels of attainment for all students, and gives priority to children from disadvantaged backgrounds unable to access other children's services, by working towards a range of intermediate results that include: early intervention strategies; enhancing school readiness and transition to schools.
2. Primary Education Services in Government Schools
  - Service Description: This service group covers the staffing and support of 1,634 primary schools, 67 central schools and 113 schools for special purposes to deliver quality education aimed at increasing their results meeting the diverse needs of students

- Linkage to Results: This service group contributes towards students successfully making the transition to further education by working towards a range of intermediate results that include ...
3. Secondary Education Services in Government Schools
    - Service Description: This service group covers the staffing and support of 398 secondary schools to deliver quality education aimed at increasing the attainment and retention of students and meeting their diverse needs.
    - Linkage to Results: This service group contributes towards students successfully making the transition to further education and work by working towards a range of intermediate results that include: an increased percentage of Year 7 and 9 students and Aboriginal students meeting national minimum standards for reading and numeracy ...
  4. Non-Government Schools
    - Service Description: This service group covers funding to non-Government schools to improve student learning outcomes and assist them to successfully complete Year 12 or VET equivalent.
    - Linkage to Results: This service group contributes towards students successfully making the transition to further education and work by working towards a range of intermediate results that include ...
  5. Technical and Further Education and Community Education
    - Service Description: This service group covers delivery of cost-efficient training services to improve skills and increase higher qualification levels among the NSW population, both rural and urban.
    - Linkage to Results: This service group contributes to improved skill and higher qualification levels by working towards a range of intermediate results that include ...
  6. Vocational Education and Training
    - Service Description: This service group covers the development and promotion of a quality vocational education and training system that enhances skills for industry and individuals through registered private providers. It also facilitates quality training through apprenticeships, traineeships, targeting skill shortage areas and upskilling existing workers.
    - Linkage to Results: This service group contributes to improved skill and qualification levels of the NSW population, both urban and rural, by working towards a range of intermediate results that include...

## INTERACTIVE EXERCISE 3

### Program Budget Implementation Challenges and Strategy

In implementing a program budgeting system in Iraq:

1. What are the main challenges and obstacles which you expect to arise? In answering this question, please consider the state of play of in respect to (amongst other things): the accounting system, the availability of performance measures, technical capacity within the spending ministries, the state of the overall budgeting/public financial management system in Zanzibar.
2. What is the best way of dealing with these challenges and obstacles?
3. How fast or gradually should full program budgeting be implemented?
4. In particular, how long do you believe it would take to get to a stage where the budget is legally authorized on a program basis?

**Example: PRESIDENT’S OFFICE FINANCE, ECONOMY AND DEVELOPMENT PLANNING**

**PROGRAM BASED BUDGETING**

**Objectives, Outputs and Indicators for Public Finance Management**

<b>Program/Subprogram</b>	<b>Organizational Unit</b>	<b>Objectives</b>	<b>Outputs</b>	<b>Performance Indicators</b>	<b>Targets</b>
<b>Public Finance Management Program</b>		<b>To have stable public finance</b>			-
Treasury Services sub-program	Accountant General	Effective cash control and payment management	<ul style="list-style-type: none"> <li>-Gratuity and Pension,</li> <li>-Release funds to MDA’s,</li> <li>-Accounts and internal audit reports</li> <li>-Debt register,</li> <li>-public debt payments</li> <li>-debt management strategy and action plan</li> </ul>	<ul style="list-style-type: none"> <li>-Average time for gratuity payment.</li> <li>-Percentage of MDA’s accounts submitted to accountant general by 30<sup>th</sup> September.</li> <li>-Percentage of MDAs Cash flow request received on time.</li> <li>-Ratio of domestic debt over total debt.</li> <li>- Percentage of debt recorded in structured database.</li> </ul>	<ul style="list-style-type: none"> <li>-100% MDA’s Final accounts received by 30<sup>th</sup> September FY.</li> <li>-100% of MDA’s cash flow requests are received on time.</li> </ul>

Government Budget sub-program	Department of Budget	Effective budget preparation and execution control	-Estimate book, -Warrant approval, -Budget Call Circular -Budget Execution Report	Percentage of budget deficit to GDP	Budget deficit reduced from 9.2% of GDP in 2007/08 to 8% of GDP by 2015.
Resource Mobilization sub-program	External Finance, ZIPA , ZRB	Effective mobilization and monitoring of resources	- Collect taxes - Mobilize development finance -Aid effectiveness reports. -Domestic resources mobilization report. -FDIs reports -Aid Policy, Tax and Non Tax Policies, Investment Policy.. etc	-Revenue per GDP ratio. -Rate of foreign direct investment	-Increase domestic revenue collection as percentage of GDP from 15 % in 2008/09 to 22 % in 2015 (based on the current TRA cost of revenue collection) -Finalization of Zanzibar Aid policy by 2012/13. -80% of DPs put their commitment and disbursement in AMP.
Public Investments and Assets Management	-Public Investment -Stock Verification	-Assure compliance with Public Investment Act and Public Procurement and Disposal Act and Regulation.	- Oversee procurement and disposal services - Custodian	Percentage of public enterprise corporate plans reviewed.	

			of public investment -Auditing of public enterprise financial reports		
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### Objectives, Outputs and Indicators for National Planning and Economic Management

Program and Subprogram	Organizational Unit	Objectives	Outputs	Performance Indicators	Target
<b>National Planning and Economic Management</b>		<b>Broad based and pro- poor economic growth</b>			
Sectoral development and Poverty reduction	-National Planning and Sectoral Development -Poverty reduction	Effective National planning for significant Poverty Reduction	-Development plans -Annual, semi-annual reports -Poverty reduction reports.	Percentage of population below Poverty line	Reduced population below poverty line from 49% in 2005 to 25% in 2015. Reduced population below food poverty line from 13% in 2005 to 7% by 2015.
Human resource and Demographic planning	-Human Resource development planning	Sustainable human resources development	-Population policy implementation reports. -Man power policy. -Man power survey -Human resource database -National training plan -Retirement assessment report	-Population growth rate -House hold size --number of retiree civil servants employed on contracts -Percentage of women employed.	Population growth rate decrease from 3.1 2011 to....2015 Household size decrease from 5.0 in 2010 to 5 in 2015. Percentage of women employed increased from .....in 2010 to.... in 2015
Monitoring and Evaluation	<ul style="list-style-type: none"> <li>Monitoring and Evaluation</li> </ul>	Effective and efficient deliverables of national plans	-Completed evaluation reports	-Number of MDA's submitting evaluation reports on National Planning department on	-100% of MDA's submitting evaluation reports on National Planning department on

				time.	time.
Statistical Management	OCGS	Socio economic reliable data and information disseminated to the public	-Periodic Statistical report	-Number of periodic statistical report	
Macroeconomic Development and Management	Economic Development department	Macroeconomic stability and reliable forecasting	-Periodic economic reports. -Fiscal and macroeconomic indicators forecasting.	-Monthly inflation rate. -Quarterly and annual GDP growth rate. -number of Annual analytical economic survey report.	GDP growth rate will increase from 6.7% in 2009 to 10.3% by 2015.

**Objectives, Outputs and Indicators for Public Finance Management**

<b>Program/Subprogram</b>	<b>Organizational Unit</b>	<b>Objectives</b>	<b>Outputs</b>	<b>Performance Indicators</b>	<b>Targets</b>
<b>Management and Administration Program</b>		<b>Effective and efficient delivery of supportive service.</b>			
<b>General Administration Sub-Program</b>	Administration and personnel department	Effective management and administration of ministry's resources.	-Accounting and Internal auditing reports; -Skilled and productive Staff. -Procurement.	-General Administration Staff/Total Ministry Staff  -Percentage of male and female staff with degrees  -Ministry's Staff Turnover Rate	Increase number of graduates staff from .....Percentage Male and .....Female in 2011/12 to .....Percentage Male and .....Female in 2012/13
<b>Policy, Planning and Research Sub-Program</b>	Planning, Policy and research department.	Effective coordination of ministry's functions	-Policy and Research review and Development; -Planning and Budgeting ; -Review SP; Coordination; Monitoring & Evaluation	-Number of completed evaluations report. -Number of policy and research reviewed and developed.	

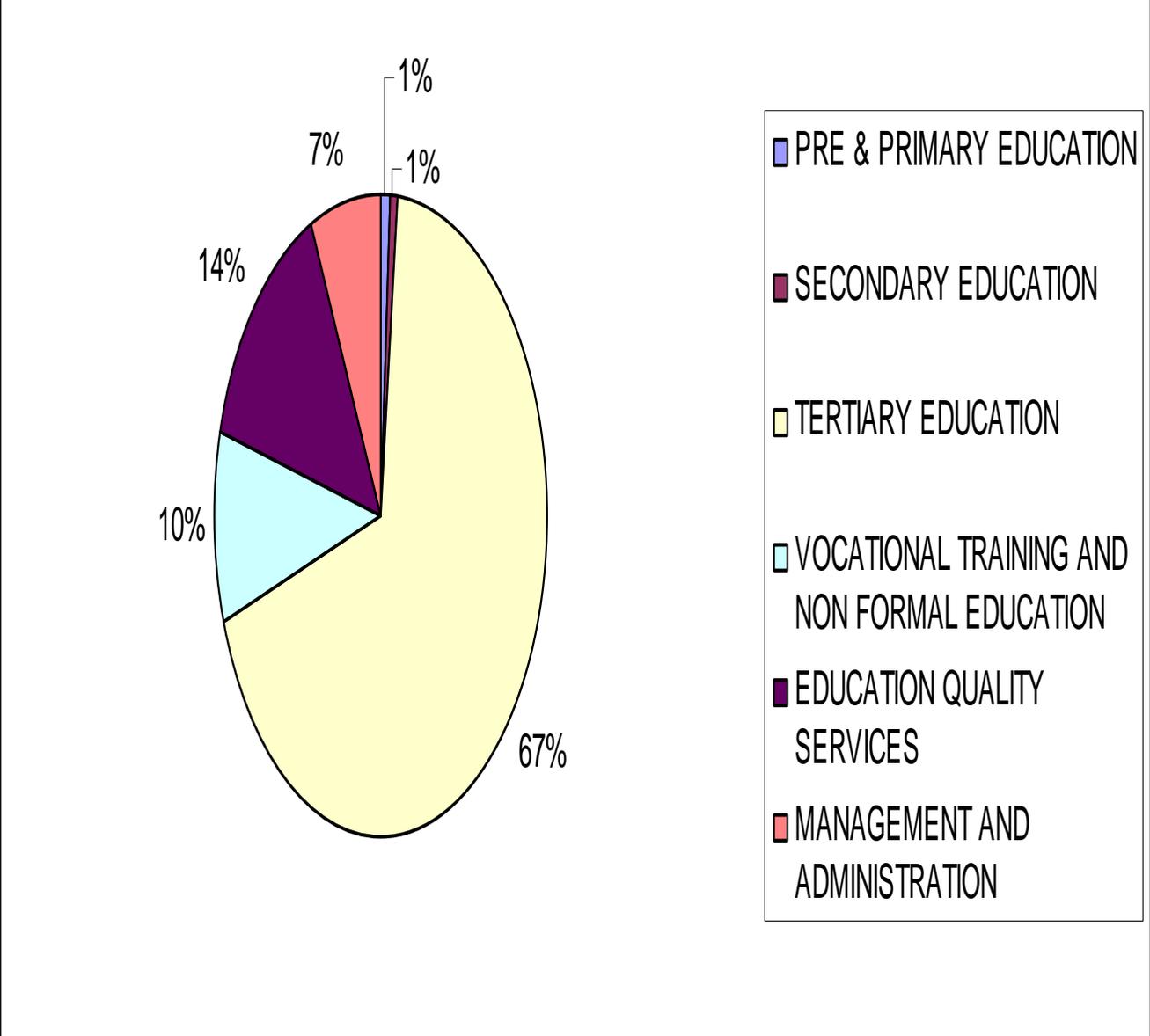
<b>Pemba Office Sub-Program</b>	Head office Pemba	Effective coordination of ministry's operations in Pemba.	<ul style="list-style-type: none"> <li>-Payment facilitation to Sector Ministries;</li> <li>-Compliance of Public Investment Act and Public Procurement and Disposal Act and Regulation;</li> <li>-Management of ministry in Pemba</li> <li>-Accounting and Auditing facilitation;</li> <li>-Skilled and productive Staff.</li> </ul>	-General Administration Staff/Total Ministry Staff	
<b>Coordination Office Dar-es-Salaam</b>	Coordination office Dar-es-Salaam	Effective coordination of government operations in Dar es Salaam.	Coordination with union government	Number of meeting with foreign office;	

**INDICATIVE PROGRAMME BASED BUDGET SUBMISSION DOCUMENT  
2012/2013 - 2014/2015**

**MINISTRY OF EDUCATION (Example)**

<b>Program Title</b>	<b>Program Objective:</b>	<b>National Development Plan Goal</b>	<b>Program Cost/Budget</b>
PRE & PRIMARY EDUCATION	To prepare students into logical thinking and reasoning,( towards numeracy, writing and reading).	Ensure Gender Responsive and Equitable Access to Quality Education	<b>461,915,000.00</b>
SECONDARY EDUCATION	To prepares learners to engage in logical reasoning and provides opportunities to strengthen higher order analysis.	Ensure Gender Responsive and Equitable Access to Quality Education	<b>337,961,000.00</b>
TERTIARY EDUCATION	To Provide knowledge enable graduate students to get opportunity for self employment.	Ensure Gender Responsive and Equitable Access to Quality Education	<b>34,799,447,485.00</b>
VOCATIONAL TRAINING AND NON FORMAL EDUCATION	To provide Vocational training programme to the students that link with labor market demands.	Ensure Gender Responsive and Equitable Access to Quality Education	<b>4,848,712,791.00</b>
EDUCATION QUALITY SERVICES	To provide quality of Education at all levels.	Equitable Access to Quality Education	<b>7,016,912,751.00</b>
MANAGEMENT AND ADMINISTRATION	Ensure the efficiency and effectiveness of inputs to the quality throughout the education system.	Equitable Access to Quality Education	<b>3,568,999,508.00</b>
<b>GRAND TOTAL</b>			<b>51,033,948,535.00</b>

**Pie Chart 1: Ministry of Education and Vocational Training (MoEVT)**



## Subprogram

Program title: **PRE & PRIMARY EDUCATION**

Sub-programs	Sub-Program Objective	Organization Unit	Sub-Program Outputs:	Sub-Program Performance indicator	Sub-Program Expenditure:
Pre-Primary Education	To prepare students physically and mentally for primary education.	Department of Pre & Primary Education	Children prepared for primary level.	NER of Pre Education  Average annually attendance by gender.  Teacher/Staff houses ratio in remote areas.  Student /classrooms ratio.	
<b>TOTAL SUB PROGRAM 1</b>					
Primary Education	To enable students in numeracy, writing and reading.	Department of Pre & Primary Education	Education at primary Schools provided.	NER of Primary Education  Average annually attendance by gender.  Teacher/Staff houses ratio in remote areas.  Student /classrooms ratio.	
<b>TOTAL SUB PROGRAM 2</b>					
<b>PROGRAM TOTAL</b>					<b>461,915,000.00</b>

## Subprogram

Program title: **SECONDARY EDUCATION**

Sub-programs	Sub-Program Objective	Organization Unit	Sub-Program Outputs:	Sub-Program Performance indicator	Sub-Program Expenditure:
Secondary Education	To prepare learners to pursue further education and training according to their interest, ability and capabilities.	Department of Secondary Education	I. Education at Secondary Schools provided.	I NER of "O" and "A" level education.  Completion rate of basic education.  Teacher/Staff houses ratio in remote areas.  Student /classrooms ratio.	<b>337,961,000.00</b>
<b>TOTAL SUB PROGRAM 1</b>					<b>337,961,000.00</b>
<b>PROGRAM TOTAL</b>					<b>337,961,000.00</b>

## Subprogram

**Program title: TERTIARY EDUCATION**

<b>Sub-programs</b>	<b>Sub-Program Objective</b>	<b>Organization Unit</b>	<b>Sub-Program Outputs:</b>	<b>Sub-Program Performance indicator</b>	<b>Sub-Program Expenditure:</b>
SUZA	To prepare students enter professional careers or acquire marketable skills.	SUZA	Degree level of education provided. Master and post degree provided.	Number of students of University level.  Number of graduate of post and master.  Number of research conducted  Graduate students at Universities and Colleges.	24,739,479,735.00
					<b>TOTAL SUB PROGRAM 1</b>
KIST	To promote science and Technology	KIST	Teaching/learning of science, mathematics and technology promoted.	Graduate students at Institute of Science and technology.	1,218,731,000.00
					<b>TOTAL SUB PROGRAM 2</b>
Teacher Education	To equip learners with higher level intellectual, professional and managerial capacity necessary for promoting quality of Education.	Department of Teacher Education	Diploma level of education provided.	Number of students in collage level.	587,512,150.00
					<b>TOTAL SUB PROGRAM 3</b>
Higher Education Loans Board	To provide loans to students in post basic and higher education institution. Increase provision of loans to student from 10% in 2010 to 30% by 2015. To collect at least 25% of outstanding loans from students.	Higher Education Loans Board	Loans to students in post basic, higher education and universities provided.	Number of students received loans.	8,192,374,400.00
					<b>TOTAL SUB PROGRAM 4</b>
Coordination of Higher Education	To monitor and evaluate of higher education.	Coordination of Higher Education Unit	Monitoring and Evaluation of Higher Education conducted.		61,350,200.00
					<b>TOTAL SUB PROGRAM 5</b>
<b>PROGRAM TOTAL</b>					<b>34,799,447,485.00</b>

## Subprogram

**Program title: VOCATIONAL TRAINING AND NON FORMAL EDUCATION**

<b>Sub-programs</b>	<b>Sub-Program Objective</b>	<b>Organization Unit</b>	<b>Sub-Program Outputs:</b>	<b>Sub-Program Performance indicator</b>	<b>Sub-Program Expenditure:</b>
Vocational Education	To provides opportunity for self employment, towards poverty reduction.	Vocational training Authority	Technical and Vocational training provided.	Unemployment rate for youths. Graduation rate for vocational students.	<b>4617374836.00</b>
<b>TOTAL SUB PROGRAM 1</b>					
Non Formal & Alternative Learning Education	To eradicate illiteracy and provide functional literacy	Department of Non Formal & Alternative Learning Education	Vocational training and Adult training provided.	Literacy rate in adult population. Number of adult participation in adult literacy classes.	<b>231,337,955.00</b>
<b>TOTAL SUB PROGRAM 2</b>					
<b>PROGRAM TOTAL</b>					<b>4,848,712,791.00</b>

Subprogram

**Program title: EDUCATION QUALITY SERVICES**

<b>Sub-programs</b>	<b>Sub-Program Objective</b>	<b>Organization Unit</b>	<b>Sub-Program Outputs:</b>	<b>Sub-Program Performance indicator</b>	<b>Sub-Program Expenditure:</b>
Institute of Education	To prepare, review, and Restructure curriculum for pre-primary, primary, Secondary, teacher education, post secondary institution, non-formal education and training.	Zanzibar Institute of Education	Curriculum for all level of education, prepared, reviewed and restructured	Number of curriculum documents developed	
		<b>TOTAL SUB PROGRAM 1</b>			
Measurement and Evaluation Board in Education	To monitor and evaluate the performance of education system	Measurement and Evaluation Board in Education	The aims and objectives of education monitored and evaluated	% of qualified teachers. Transition rate of 'O' level, 'A' level and tertiary  Student minimum level of mastering in reading, numeracy and writing skills	
		<b>TOTAL SUB PROGRAM 2</b>			
Education Inspectorate	To monitoring the delivery of education, adherence to curriculum set standards and ensuring efficiency and quality in education.	Chief of Education Inspectorate Office	Delivery of education, adherence to curriculum set standards, efficiency and quality in education monitored.		
		<b>TOTAL SUB PROGRAM 3</b>			
Inclusive Education and Life skills	Provide education for all including those with special needs students.	Inclusive Education and Life skills Unit	Teaching and learning materials and other devices and equipments for children with special needs procured and distributed	Number of Inclusive Students and teachers	
		<b>TOTAL SUB PROGRAM 4</b>			
Library Services	Widely use of books and other information media by citizens.	Library Services	Opportunity for independent learning, seeking information, and developing inquisitive minds and research skills provided.	% of library members as to population.  Number of books, CDs, magazines and journals bought in every year.	
		<b>TOTAL SUB PROGRAM 5</b>			
Information and Communication Technology (ICT)	To build a highly accessible technology of ICT through quality of teaching, learning and management services in the application of ICT in daily life.	Department of Information and Communication Technology	Teachers with ICT experience and multimedia content trained	Number of ICT trained teachers.  Number of ICT equipments in schools.  Ministry and education institutions integration in ICT.	

		<b>TOTAL SUB PROGRAM 6</b>			<b>352,586,850.00</b>
Registrar of Education and Advisory Council	To ensure Ministerial Law and Regulation enforced.  To provide Licensee for teachers and to ensure all schools Registered.	Registrar of Education and Advisory Council	Quality standards for private schools registration provided. Teaching licenses for teachers are provided	% of licensed teachers and %School registered	
		<b>TOTAL SUB PROGRAM 7</b>			<b>46,730,000.00</b>
Sports & Culture in Schools Unit	To prepare students physically, healthy and mentally fit toward acquired education		Sports and physical education in schools promoted.	Number of Teachers with physical education. Number of play ground for children.	
		<b>TOTAL SUB PROGRAM 8</b>			<b>86,717,500.00</b>
<b>PROGRAM TOTAL</b>					<b>7,016,912,751.00</b>

### Subprogram

**Program title: MANAGEMENT AND ADMINISTRATION**

<b>Sub-programs</b>	<b>Sub-Program Objective</b>	<b>Organization Unit</b>	<b>Sub-Program Outputs:</b>	<b>Sub-Program Performance indicator</b>	<b>Sub-Program Expenditure:</b>
General Administration	Effective management and administration of ministry resources.	General Administration		Ministry Staff Turnover Rate.	
		<b>TOTAL SUB PROGRAM 1</b>			<b>799,907,900.00</b>
Pemba Head Office	Effective coordination of ministry operations in Pemba.	Pemba Head Office	Management of ministry in Pemba	Pemba Office Staff/Pemba budget of Ministry	
		<b>TOTAL SUB PROGRAM 2</b>			<b>2,127,391,608.00</b>
Policy Planning & Research	Effective Planning and coordination of ministry functions	Department of Planning, Policy & Research	Policy Development; Coordination; Planning; Research; Monitoring & Evaluation	No of completed evaluations and Number of Research conducted	
		<b>TOTAL SUB PROGRAM 3</b>			<b>424,265,500.00</b>
Communication and Information Unit	To promote easy connection and communication within the country and with the outside world	Communication and Information Unit			
		<b>TOTAL SUB PROGRAM 4</b>			<b>170,698,500.00</b>
Education Advisory Board	To advice Ministry in all matters of Education provision	Education Advisory Board			
		<b>TOTAL SUB PROGRAM 5</b>			<b>46,736,000.00</b>
<b>PROGRAM TOTAL</b>					<b>3,568,999,508.00</b>

## Objectives, Outputs and Indicators for Management and Administration Program and its Sub-Programs

Program/Sub Program	Objectives	Outputs	Performance indicators	Targets
<b>Management and Administration Program</b>	<b>To support smooth operation of Ministry.</b>	–	–	--
General Administration Sub-Program	Effective management and administration of ministry resources.	Financial Management; Internal audit; HR Management; Training; Procurement; ICT	General Administration Staff/Total Ministry Staff  Percentage of staff with degrees or diplomas  Ministry Staff Turnover Rate	[Not required or set by ministry]
Policy, Planning and Research Sub-Program	Effective coordination of ministry functions	Policy Development; Coordination; Planning; Research; Monitoring & Evaluation	No of completed evaluations	[Not required or set by ministry]
Office Sub-Program	Effective coordination of ministry operations	Management of ministry		[Not required or set by ministry]
[Any ministry-specific sub-programs (e.g. Quality Services in Education Ministry)]	<i>Add</i>	<i>Add</i>	<i>Add</i>	<i>Add</i>