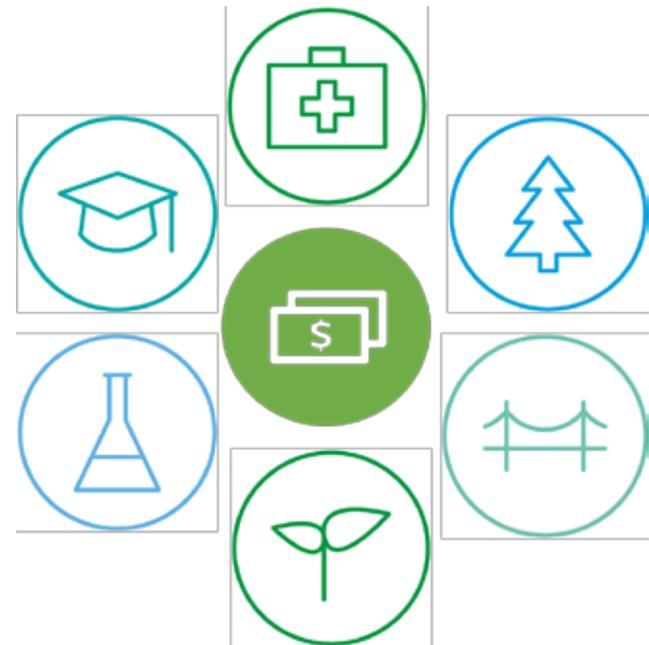


## The Potential of Performance Budgeting

Can it really make a difference?

Prepared for:



# Who We Are



***Dr. Stephen Lewarne***

- Principal in Emerging Markets practice
- More than 25 years of experience leading economic and fiscal reform programs around the world
- Supported transitions to market economics across Eastern Europe and Central Asia



***Julie Cooper***

- International PFM specialist with USAID, IMF, World Bank
- 20 years of experience in performance budgeting in Central Asia, Africa and the Middle East
- Supported PFM reforms in Australian Federal Government



***Jimmy Rollins***

- PFM and performance management specialist with USAID, World Bank, IMF, CDC
- Supported government performance budgeting efforts in Jordan, Jamaica, Bangladesh, and the US

# Overview

- What is performance budgeting
- History of performance budgeting
- Performance budgeting today
- Success factors for performance budgeting
- Common challenges
- Can performance budgeting really make a difference?
- Case studies

# What is Performance Budgeting?



## WHAT IT IS

- A comprehensive framework
- Integration of planning and budgeting
- Performance reporting
- Adaptable tools and techniques
- One part of performance ecosystem



## WHAT IT ISN'T

- Formula/algorithm for funding decisions
- A single tool or technique
- Use to cut or increase budgets
- Only for Budget Department
- Remedy for all performance issues

# History of Performance Budgeting

- Performance budgeting has been in practice for decades
- 1950s: introduction of the principles of Management by Objectives
- 1990s: extensive public sector reforms in response to economic, social and political pressures
- New Public Management evolved which widened the scope of Performance Budgeting
- Today: term used to mean a comprehensive public sector management framework

# Performance budgeting today

# Performance budgeting today

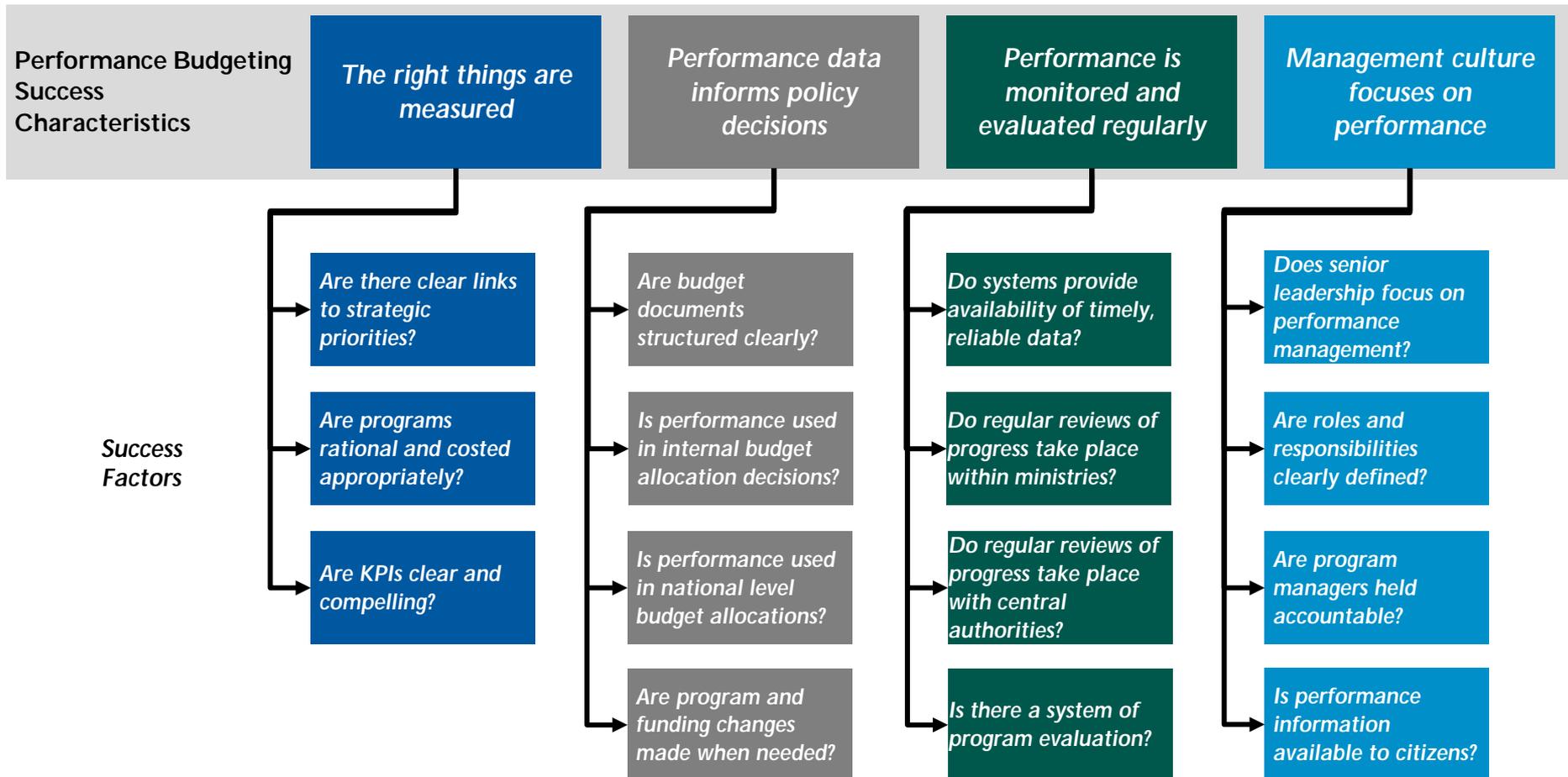
- Comprehensive framework
  - Budget planning and preparation
  - Budget execution and reporting
- Performance management culture
  - Focus on outputs and outcomes over inputs
  - Focuses on quality, efficiency and effectiveness
  - Influences policy decisions

# Performance budgeting today

- Tool for performance improvement opportunities
- Stronger accountability and transparency
- Includes civil service and reform to work culture
- Drives behavior changes

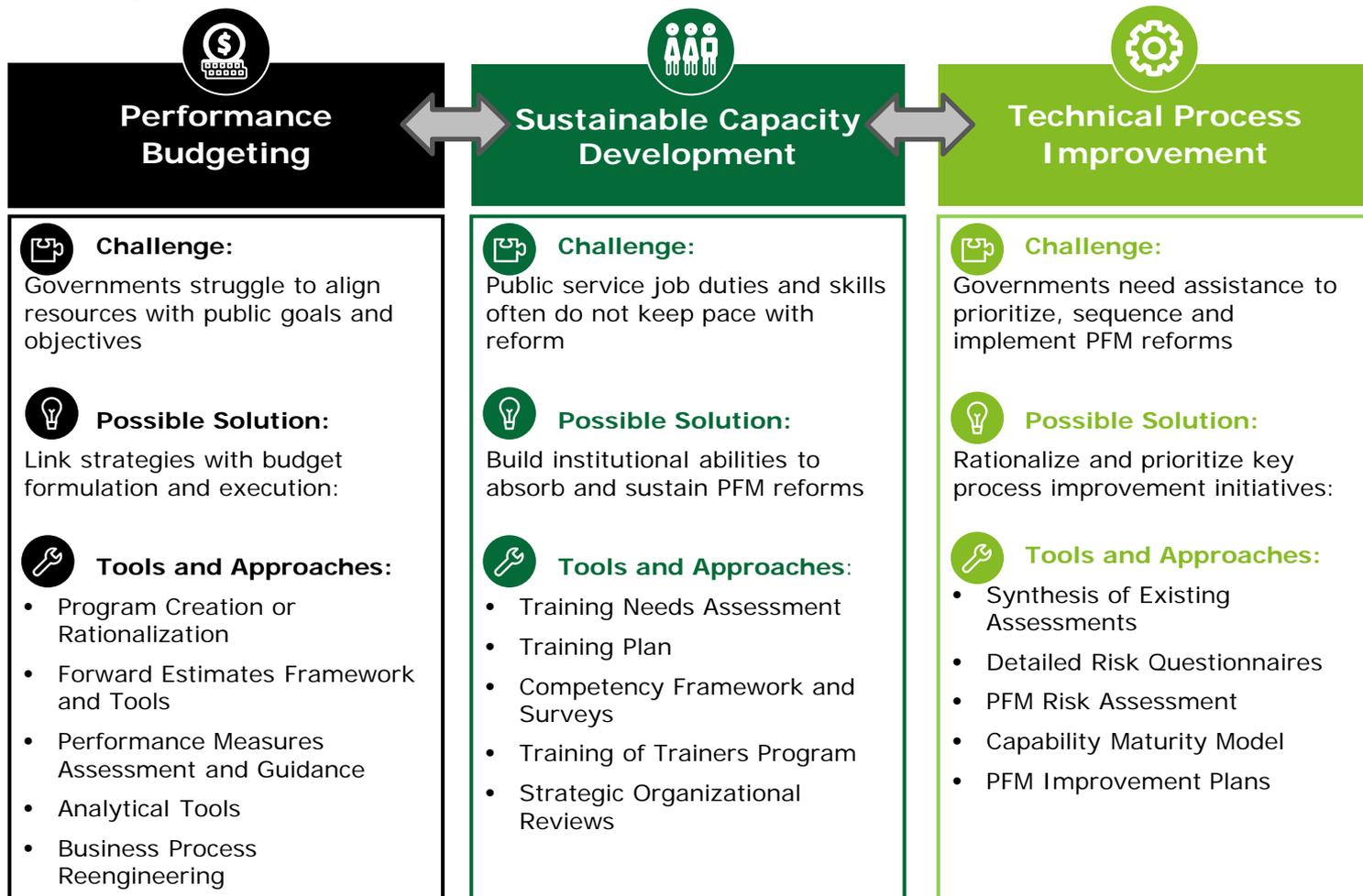
# Success characteristics

*Deloitte has developed the following framework in its extensive work with governments around the world*



# Success characteristics

*Deloitte works with organizations to realize benefits of multiple simultaneous reforms*



# Common implementation errors

# Common implementation errors

- Lack of a comprehensive performance framework
- Continued focus on inputs
- Little or no attention to creating a performance work culture
- Used to name and shame rather than to improve performance
- Monitoring and evaluation system not used as a management tool
- Emphasizing technical solutions over improving analytical skills

# Common implementation errors

- Oversimplified performance reporting (Green/Yellow/Red headlights)
- Not improving governance and accountability for service delivery
- Ignore concurrent reforms
- Downplay institutional capacity constraints or resistance
- No or little focus on budget execution requirements

**Can it make a  
difference?**

# Can it make a difference? YES

- But it's not easy
- Requires mandate and political support
- Civil service needs to be performance focused
- Integrate with government-wide performance management practices

# Performance budgeting cases

# Illustrative example: Jamaica

## *The World Bank*



- **Motivation:** macroeconomic downturn, government transition
- **Reform:** rationalize programs and integrate performance measures
- Focus on change management

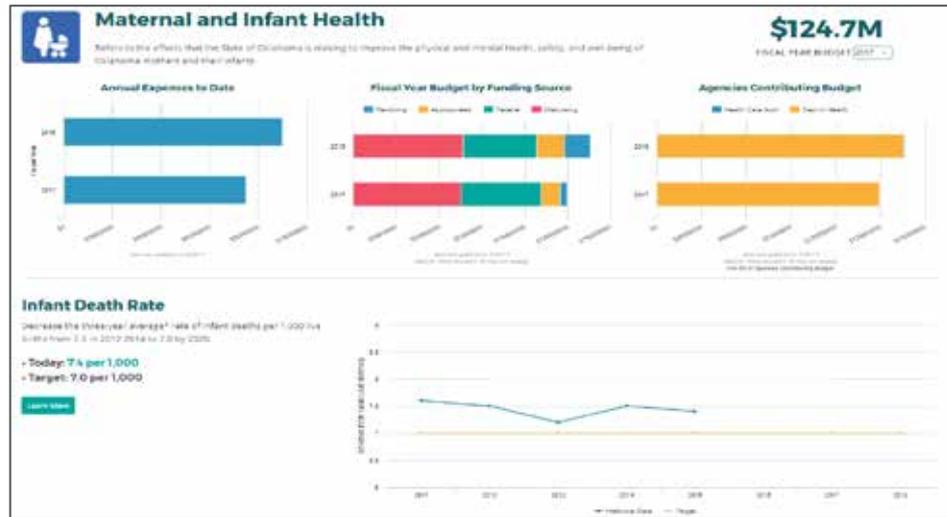
# Illustrative example: Jordan

## *U.S. Agency for International Development (USAID)*



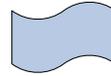
- **Motivation:** program budget not changing culture
- **Reform:** move from compliance to management
- Upgrading Budget Analyst skills seen as critical

# Illustrative example: Oklahoma



- **Motivation:** commodity price drop, no strategy
- **Reform:** government-wide programs and objectives
- Link with Chart of Accounts
- Focus on transparency to public

# Illustrative example: Australia



- **Motivation:** focus on greater efficiency and effectiveness
- **Reform:** Output and Outcome Framework
- Accrual budgeting and accounting
- Purchaser/Provider agreements

**Conclusion**

# Questions and Answers



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