

Performance budgeting practices and procedures

by
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This article examines performance budgeting practices and reforms in five OECD member countries: Canada, Ireland, the Netherlands, the United Kingdom and the United States. In each case, three dimensions of performance budgeting are analysed: performance information and monitoring, evaluation, and spending review. Reflecting upon the common experiences in each country, generalised analytical considerations are presented for practitioners planning and implementing current and future performance budgeting reforms.

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1. Key findings

OECD member countries have each undergone significant economic and fiscal challenges of late. This has honed political and administrative attention on getting more out of public services; often for less money. An emphasis of public finance and expenditure management is to now squeeze more out of the budget – durable cash savings, better value-for-money and more accountability, among other things.

Performance budgeting tools have been drawn upon to enable these objectives and to assist governments in achieving difficult fiscal goals quickly and responsibly.

The challenge for performance budgeting throughout recent time is that a multitude of demands are made on the concept (Hawkesworth and Klepsik, 2013). The demands include:

- **Strategy** – Provide high-level outcome data that enables the executive leadership of government to pursue its strategic goals.
- **Accountability** – Provide data on activity/process, outputs and – most importantly – outcomes to the parliament, the supreme audit institution and civil society that enables these actors to hold the government to account.
- **Transparency** – Provide output and outcome data that can be linked with input data in a way that provides transparency as to the efficiency and effectiveness of spending so that budget officials and parliament can monitor and steer the limited budgetary resources to where they matter most in a given political context.
- **Departmental management** – Provide input, process, output and outcome data to the line ministers and their secretariats so that they can hold the executive agencies to account and have the ability to adjust policies in light of goals and actual developments.
- **Programme management** – Provide input, process and output data that enables the programme managers to adjust their operations so that services and programmes are delivered efficiently and effectively.

Ideally, a performance system would satisfy all these aspirations. However, this is more easily said than done. Each objective requires different types of performance information, held by a mix of organisations, destined for different stakeholders. Indeed, strengthening one aspect can be detrimental to others. In consequence, most countries have focused on gearing their performance management system towards selected actors' needs.

This paper examines five OECD member countries to identify lessons learned from past performance budgeting experiences to gain insight into effective practices for performance budgeting now and in the future. The countries under examination are: Canada, Ireland, the Netherlands, the United Kingdom and the United States.

The review structure is broadly the same for each country case: an introduction to the unique fiscal, legislative and institutional circumstances of the country, followed by an examination of three performance budgeting tools:

- spending review

- evaluation
- monitoring.

The study is informed by interviews with budget officials involved in performance budgeting within the case study countries, as well as the OECD *International Performance Budgeting Database*. The litany of performance budgeting documentation within and outside each country's budget institution was fundamental in informing the fact basis of this analysis.

In each of the case countries examined in this report, it has been many years, even decades since some form of performance budgeting tactics were first implemented. Yet, the subsequent reforms to the performance budgeting regime in each are numerous, emphasised most recently by broad reforms to performance budgeting systems in many of the countries examined in this report proximate to the 2008 global financial crisis.

Through these country cases, some common elements of the current state of play in performance budgeting is summarised in a handful of lessons learned. The common thread through these lessons is the importance of a systematic view of performance budgeting. Failures in one aspect (e.g. evaluation) may be caused by weaknesses in others (e.g. weak monitoring data to identify budget-relevant evaluation projects). Consequently, relatively strong functions may not have usefulness in budget deliberations.

The burden of proof in budget deliberations can be high. Clear superiority of one programme or project can likely be identified without performance budgeting tools. However, to add value to the system, performance based budgeting attempts to inform more marginal, less certain conclusions.

A few generalised conclusions can be drawn:

1.1. The executive branch may initiate performance budgeting, but other budget institutions facilitate its success

The executive branch is the body responsible to launch and enable the preponderance of performance budgeting initiatives, including spending reviews, evaluations and monitoring. Most commonly, these have been driven centrally by executive branch leadership, though at other times, these initiatives have been a direct response to external pressure – from the public or parliament.

In all country cases in this report, the legislature can, or does provide a vital role in performance information. In Canada, parliamentary pressure for more information helped lead to the departmental monitoring structure currently in place and in the United States, Congressional pressure to be more involved in performance target setting was a central aspect to the recent GPRA Modernization Act reforms.

To this end, these efforts have increased the supply of performance information available to parliament and the public. However, the supply of performance information is necessary but not sufficient to a high functioning performance-informed budgeting system. Performance information must be distilled, and provide policy relevance and meaning. This can be done proactively by departments or the centre of government through hierarchical whole-of-government programme frameworks and online database tools. Even still, these measures are rarely enough.

Legislative budget institutions in each country play integral roles in supporting the legislature's role in performance budgeting, namely supreme audit institutions (SAIs) and independent fiscal institutions (IFIs).

Ex ante analysis of performance information is often incomplete or absent in the executive branch, but especially the legislative branch of government. Within legislatures, analytical capacity for *ex ante* analysis of evaluation information is constrained. IFIs are relatively new in many countries and may assist parliament's increasing use of performance information:

- By synthesising and putting into context volumes of performance data.
- By verifying the credibility of the information presented.
- By nudging existing institutions to improve the usefulness or quality of existing products (i.e. additional detail in budget proposal costings).

The SAIs in each country have an important and often more established role than IFI counterparts. SAIs provide an independent verification of the performance information presented by government, increasing the legitimacy and trust in performance information across the system, and by introducing alternative pieces of information to round out the performance picture presented by government.

Some SAIs also possess in-house capacity and responsibility for conducting evaluation and can be primary sources of budget-relevant performance information.

In the United States, the Government Accountability Office (GAO) audits and evaluations have been cited as contributing to budget development dialogue in both the executive and legislative branches. Some GAO publications are informally but annually ingrained into Congressional committee discussions (e.g. Annual Report on Fragmentation, Overlap and Duplication).

In the United Kingdom, the National Audit Office (NAO) undertakes around 60 value-for-money studies each year to examine major areas of government expenditure, to form a judgement on whether value for money has been achieved. NAO work can lead to departments enacting improvements to service delivery or governance, or financial savings and efficiencies.

The legislature and its committees can also play an important role.

For example, evaluations can expose weaknesses in programmes, so in the Netherlands there is often little incentive for spending ministries to expose such information, for fear of the information creating a strategic weakness (a potential budget cut) in trying to better improve a programme or policy. And the Ministry of Finance has limited recourse to ensure evaluations are done in an objective, high-quality, budget-relevant way. Through committee, Parliament has the enforcement and accountability mechanism lacking in the executive branch in order to ensure that comprehensive, budget relevant information (e.g. evaluations) is being generated objectively and completely within existing systems and processes.

Sceptical legislatures can also slow progress in performance budgeting reforms, justly or otherwise. In the United States, political divisions between Congress and the executive contribute to distrust in performance data and obstruct uptake of the performance information being generated. And agency-oriented performance information, not well-aligned to Congressional votes further discourages legislative use and a performance-oriented budgeting dialogue. Performance information designed for the executive branch

is not harmonised to Congress' decision and accountability structures. Since Congress is an important actor in budget approvals, this inhibits the functionality of performance information feeding through the budget cycle.

Finally, parliaments become increasingly engaged when performance information is linked to politically salient issues and priorities. As an example of increased engagement, in the early 2000s, the United Kingdom's Prime Minister's Delivery Unit created direct linkages to priority political commitments and goals. These were communicated and put into action through Public Service Agreements (PSAs). Political attention focused financial resources and the energy of government on a discrete number of measurable objectives, fully reflected in the PSAs, increasing the performance-orientation of budget dialogue.

1.2. Evaluations can complement spending review, but so far lack a budget focus

Programme and policy evaluation has enormous potential as an evidence base for budgeting, yet to date, is rarely consulted in practice. In some cases, evaluation is in a nascent stage and is not designed to support budget analysis. Frequently, evaluation is designed and used to assist programme managers better understand the performance of their programme to comprehend how to do better given resource and policy constraints. These perspectives are legitimate frameworks for analysis, yet this process rarely generates the sort of evidence most useful to budget officials – data on the relevance of a programme, an understanding of the causal relationship between financial inputs and outputs/outcomes, and analysis of the efficiency and economy with which programmes deliver performance.

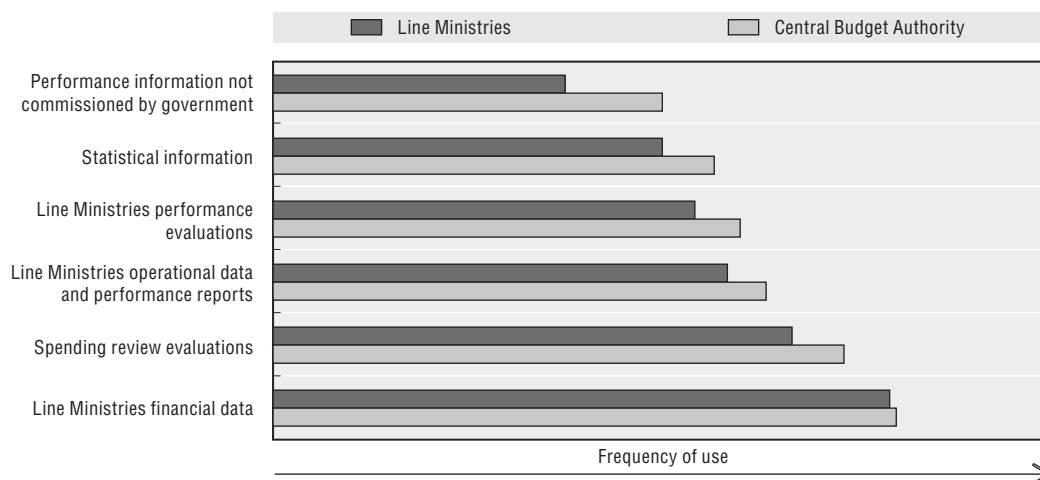
In case study countries where evaluation is more widespread, a barrier to adopting evaluation data in budget analysis is the decentralised nature under which guidance is provided and evaluations are undertaken. The CBA rarely drives evaluation policy or practice. In fact, in some countries (e.g. the Netherlands, Ireland and the United Kingdom) the evaluation function is expressly designed to have a high degree of line ministry input. Understandably, line ministries themselves are most familiar with the idiosyncrasies of their programmes and are best positioned to propose the evaluation questions most relevant to helping to improve the performance of the programme.

However, from the budgeting perspective, information generated in this highly decentralised way does not provide central, comparable data on performance, thus prohibiting strategic comparisons necessary in budget allocation processes. This may not necessarily be a consequence of mischievous intentions, but rather a use of evaluation resources most closely aligned with the urgent questions faced by programme managers and ministries. The evaluation output, while uniquely valuable to programme officials, is consequently not often budget-relevant.

Importantly, experiences in case study countries suggest that two important performance budgeting pursuits – efficiency and economy – are the weakest aspects of evaluation analyses. A lack of explicit central guidance requesting the information, as well as technical concerns (analytical capacity among evaluators and low quality data inputs) were the most commonly cited reason that evaluations fail to provide these budget-oriented pieces of information.

Lastly, self-assessments are prone to equivocal explanations, confirming neither attainment nor shortfalls to an objective. Performance information of this sort has limited value in budgeting at the centre of government. Evaluations conducted as part of a

Figure 1. **Evaluations run by the centre are more frequently used for budgeting than department-led evaluation**



Source: OECD, *International Performance Budgeting Database*.

spending review, usually a centralised initiative run by the central budget authority, are used more frequently in budget negotiations than performance evaluations conducted by the line ministries, not only by the CBA, but by line ministries themselves.

Central guidance and standards may be needed to enable a comprehensive, useful and effective evaluation regime for budgeting. Considerable resources can be expended on evaluation; however, the impact on budgeting may be limited except for narrow ways. The comprehensive nature of budgeting requires comparability, in basic financial and non-financial ways, across spending items and policies. Highly decentralised, heterogeneous evaluation systems have benefits, potentially to the detriment of central budget decision support. Guidance on consistent efficiency and economy questions to consider across all evaluations could improve the budget-relevance of evaluations already been undertaken (e.g. Canada's Policy on Evaluation, and the UK's Green/Magenta Books).

Other strategies may improve the budget relevance of evaluation. Some countries have introduced an evaluation cycle, whereby each policy or programme within a segment of government programme spending should be evaluated over a multi-year period. In Canada, all direct programme spending must be evaluated within a five-year evaluation window. Alternatively, in Ireland, the evaluation period is 3 years for all major blocks of spending.

Ireland has also introduced a suite of evaluation tools. Focused Policy Assessments (FPAs) are smaller, less detailed complement to in-depth Value-for-Money Policy Reviews (VFMPRs). The smaller reviews can triage candidate programmes for larger-scale VFMPRs and preliminarily assess specific questions of programme design and delivery.

1.3. Transparency is an important goal, but a space is needed for internal performance-informed dialogue

Public budgeting has historically been an adversarial exercise. Parliament undertakes scrutiny of the executive, which undertakes its own scrutiny from central budget authorities to line ministries. Naturally, in an environment of competition and conflict, the process is susceptible to strategic and defensive behaviour.

In general, line ministries are subject to the budgeting discretion of others, within and outside the government. Yet line ministries very often possess a wealth of information on operational performance, the lifeblood of a functional performance budgeting system. While performance-related information may exist outside line ministries (e.g. national statistics agencies), budget officials and legislators, though influential over financial resources, are frequently subject to the information discretion of line ministries.

Given this, line ministry co-operation is essential to an effective system.

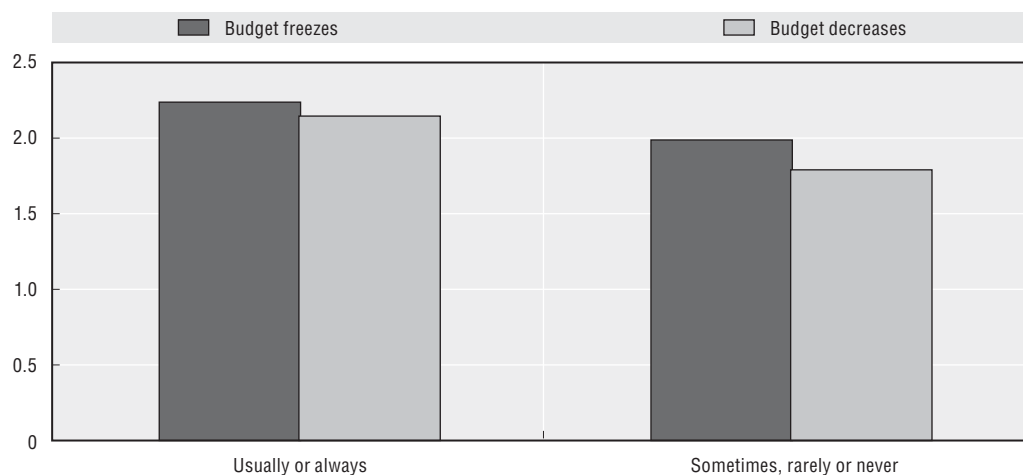
That being said, many performance regimes have legitimately emphasised the publication of volumes of performance information to achieve the basic goals of presentational performance budgeting: transparency and accountability. While these are necessary and important goals in performance budgeting, country case experiences have shown that for systems aspiring for additional performance-informed insights, space must be created for a performance-informed dialogue free from scrutiny.

If performance information is only and always used as a tool for recourse, there is little incentive for spending ministries to be forthcoming with potentially self-critical information. Self-assessments are thus prone to explanations that fail to confirm shortfalls to an objective.

And if budgets are guided by strict performance information metrics, those metrics will be more susceptible to gaming than if performance information is one of many inputs into resource choices. Countries that always or usually impose budget freezes or budget decrease when performance is not met report higher rates of gaming than countries that use budget recourse less frequently.

Performance information of this sort has limited value in budgeting at the centre of government.

Figure 2. Gaming of performance targets is more common in OECD countries when budgets are always or usually cut/frozen for poor performance



Source: OECD, *International Performance Budgeting Database*.

In the US system, recent reforms have intended to foster a less adversarial relationship between the centre of the executive (Office of Management and Budget) and line agencies. Scoring and ranking was removed in an effort to incentivise greater strategic consultation and performance information flows between the OMB and agencies.

During spending reviews in the Netherlands, pre-specified fiscal ceilings for departments diffuse competition over resources and better enable a collaborative exchange between the spending ministry and the Ministry of Finance. And decentralising enables financial capacity building in line ministries. This creates pseudo finance ministries within departments, serving as a conduit between policy and programme experts and the centre.

These channels to exchange performance information, free from budget recourse or external scrutiny, can enable better flows of information and enhance budget authorities' capabilities to strategically allocate resources.

1.4. Uniform performance information regimes are becoming more targeted

Governments at all levels and in many countries have invested enormous amounts to define outputs, outcomes, impacts, benefits, targets, and so on. With few exceptions, however, [performance budgeting] has not become the government's budget process. It is an accessory to the budget; it adorns and enhances budget decisions, but does not fundamentally change the way they are made. (Schick, 2014)

Performance budgeting momentum has in many cases, slowed under the weight of its own expectations. The desire to make spending decisions more rationally, using a stronger evidence base is nearly universal. Consequently, many OECD countries have embarked on rounds of sweeping, ambitious performance regime reforms. The ambition has not matched the effect on functional budget-making.

A more selective approach to performance information ambitions is being taken today in several of the country cases (e.g. in the Netherlands, Canada and the United Kingdom).

As an initial step, the number of performance indicators is being consolidated to provide more meaningful data metrics and reduce onerous reporting burdens.

The Netherlands is removing the use of performance information in areas where the causality between money and results is too weak. Performance budgeting emphasis is being focused to programmes and policies where outcomes can be identified government has significant control in achieving the desired outcome and plays an active role in doing so. Areas where outcomes are ill-defined, difficult to measure and where the government has limited control are being de-emphasised in performance. Simply put, if a causal link between money and results cannot be reasonably formed, the Dutch perceive performance budgeting as a poor fit to policy purpose.

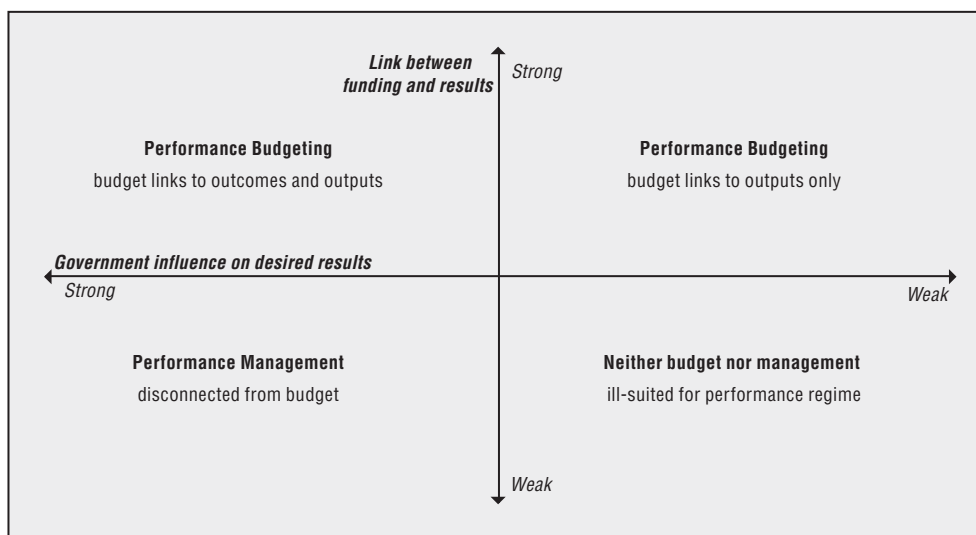
Similarly, both the UK and Canadian governments are undertaking internal processes to better benchmark targeted, measureable areas of government operations (e.g. corporate services). Both are synthesising existing data to develop comparative metrics for comparable organisations.

In Canada, evidence-based management and decision making by allowing new metrics will aid comparisons of "like" programmes or organisations by providing:

- performance dashboards and heat maps
- cross-cutting analytical works
- standardising in clusters of governmental operations
- benchmarking within and outside of government.

While in the UK, the government has engaged in benchmarking and other forms of comparative analysis (e.g. the Comparative Analysis Tool, a solution to visualise financial and performance data of departments; the Performance Platform, which captures data about how digital services are performing).

Figure 3. **The Netherlands' Accountable Budgeting Conceptual Framework**



Source: Adapted from de Jong (2015).

1.5. Senior civil servants' responsibilities for performance are becoming formalised

New responsibilities and accountabilities for senior civil servants in government organisations are being introduced to tighten the linkage between organisational and upper management's accountability and performance. Canada, Ireland, the United Kingdom and the United States have all introduced new roles or lines of responsibilities for public service performance among senior civil servants.

In many cases, unelected officials are being given greater responsibility for the integrity of the financial accounts of their organisation and have an increased role in explaining to parliament measures to achieve and improve organisational performance.

In Canada, accounting officers have a personal legal obligation to appear before parliamentary committees and answer questions on the management responsibilities of their department. A similar arrangement for accounting officers exists in Ireland. Also in Ireland, an annual agreement will be signed between a department head and their relevant Minister outlining performance objectives.

Permanent Secretaries in the United Kingdom have long served as Accounting Officers, responsible as individuals for the efficiency, economy and effectiveness of money spent by their organisation. These responsibilities are separate from their service to their Minister, for financial management. Recently, new individual roles have been added for performance: a whole-of-government Chief Executive Officer, as well as enhanced performance-oriented responsibilities for Chief Financial Officers within each spending ministry.

The United States has created Chief Operating Officers and other subordinate performance officer positions within each agency responsible for performance, quarterly reviews for agency priority goals and overseeing efforts to improve mission-support

functions. Inter-agency councils of these officers have improved performance-oriented collaboration.

These roles are perceived as an inexpensive, effective way to better align the incentive structures for organisations and their leaders. In some cases, these positions have helped to improve the performance dialogue between and within line ministries. However, determining direct causal benefits from these formalised roles, especially early on, are difficult to distinguish from broader, simultaneous reforms in other areas of performance and budget.

1.6. Spending reviews have proven to be a popular budget tool, but recent history suggests this popularity may wane under less acute fiscal pressure

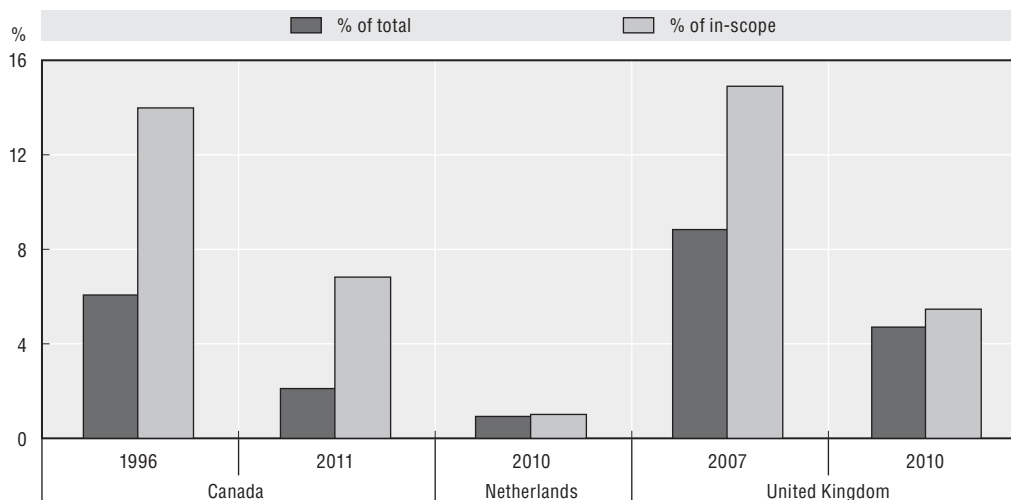
Spending reviews have been employed by most of the case study countries, with some variation in comprehensiveness and purpose. Yet, a number of generalizable observations can be made.

Political support, with “buy-in” among government officials is necessary to establishing a clear objective, and a process that can withstand conflicts over scarce resources and potentially unpopular allocative choices. In Canada’s programme review in the 1990s and Strategic and Operating Review in 2011, the objective was clear to all involved – fiscal consolidation through spending cuts. In both cases, there was strong political will to realise this objective. A similarly clear objective and purpose of fiscal consolidation was evident throughout Ireland’s 2011 Comprehensive Review of Expenditure.

Another defining feature of spending review is the strong central role of the Central Budget Authority (CBA), as compared to other performance-informed budget processes. In all cases, CBA officials were central to establishing the rules, procedures and processes of reviews, but also savings option development and verification. Spending reviews have provided a mechanism through which budget officials at the CBA can obtain valuable performance information that may otherwise not be disclosed in budget negotiations and strategic budget development. This feature is a natural consequence of spending reviews having tighter integration with the budget than many other more decentralised performance processes, such as monitoring information or evaluation.

Periodic “comprehensive” spending reviews have been notable for the broad spending scope under consideration. A vital aspect of a comprehensive review is the consideration of existing spending along with new spending proposals in a “root and branch” review. These reviews become a mechanism which forces governments to prioritise typically “non-competing” types of spending and can help resist the tendency towards budgetary incrementalism. However, in many cases, large aspects of government operations have been exempted from review. Canada’s recent Strategic and Operating Review examined only the direct programme spending of the federal government, sparing block transfers to subnational governments. In the United Kingdom, annually managed expenditure – programmes such as welfare, tax credits or public sector pensions – were not part of earlier spending review exercises (2007) but have more recently been included in comprehensive reviews in 2010, 2013 and 2015. Notably, Ireland’s CRE in 2011 examined previously politically unpopular measures (reductions to social welfare, pensions and public sector pay) to realise large savings goals.

Figure 4. **Savings yields from spending reviews: Contrasting savings shares on “in-scope” spending vs. total non-interest spending base**



Sources: Government of Canada, Netherlands Ministry of Finance, van Nispen (2015), HM Treasury, author's own calculations.

Finally, spending reviews as an institutionalised budget tool remains varied. In the United Kingdom, spending reviews have been used periodically since 1998. Comprehensive reviews, with a broad scope, have recently systematically been used to realise fiscal contraction in tight fiscal circumstances and achieve strategic goals.

Yet, even in the Netherlands, where a cycle of spending reviews is a well-accepted feature of the budget process, large scale spending reviews with deep savings options have been used infrequently and within a generally constrained fiscal environment. Canada has periodically used comprehensive reviews to successfully realise fiscal contraction, though these processes interrupted cyclical spending review processes that had less ambitious savings objectives and a more focused scope for review.

Within case study countries, there are two recent examples of a periodic, comprehensive system of review which have sustained political and administrative support. Ireland has undertaken two broad reviews in three years, while the UK has implemented a third consecutive biennial comprehensive review toward a goal of fiscal balance. It remains to be seen whether OECD member countries will continue to build on recent experiences with spending review or whether their appetite for this tool wane as fiscal conditions rebalance.

2. Canada

2.1. Fiscal context

Beginning with a newly-elected government in 2006, Canada embarked on major reforms of its system of public finances, including reforms to improve performance linkages and accountability. The goal was to improve medium-term fiscal discipline, spur efficiency improvements through spending reviews and manage based on results.

The system was first tested in 2009, when at the depths of the financial crisis, Canada's general government financial balance fell to a deficit of -4.5% of GDP.¹ The federal government engaged in temporary stimulus spending, but to consolidate spending

thereafter, embarked on a series of spending reviews, culminating in a whole-of-national government review in 2011. The review yielded CAD 5 billion in annual ongoing spending reductions, or 0.2% of GDP. Consequently, Canada's general government financial balance has improved to -1.6% of GDP in 2014.

2.2. Legislative context

Canadian parliament's participation in performance budgeting is limited, partially a function of the legislative system.

The Canadian constitution grants the government the exclusive power to initiate expenditure proposals. Parliament can approve the government's proposals, either in full or at a reduced level of funding, or reject them altogether. Parliament itself is prohibited from proposing new expenditure programmes, or increasing the level of funding requested.

The role of Parliament is further limited by the Confidence Convention: a vote on any "money bill" is considered a vote of confidence in the government. This is not enshrined in any legislation but is rather a political tradition enforced through party discipline. The Confidence Convention is interpreted very strictly in Canada to mean that any vote on a "money bill" is a vote of confidence in the Government. More frequently, the government would ensure that its proposals enjoy the support of Parliament before introducing them, or withdrawing specific aspects of them in case parliamentary support is not ensured (Parliament of Canada, 2009).

Performance information is considered by parliament when approving departmental authorities through the Main Estimates. Reports on Plans and Priorities are tabled shortly after the Main Estimates and detail to parliamentarians each organisation's main priorities by strategic outcomes and expected results. Performance information is linked to the financial resources in the Estimates. Performance information is traditionally presented to parliament for presentational purposes, largely on the basis of accountability and transparency to parliament and the public. Parliament does not give final approval of the Main Estimates until roughly three months after the start of the fiscal year (Government of Canada, 2010).

Parliamentary committees in special policy areas commonly discuss performance of specific programmes in detail, but these discussions are distinct, in practice, from budget dialogue.

2.3. Spending review

Spending reviews in Canada have occurred in three distinct phases. The first, in 1995 and most recent, in 2011, were ad hoc exercises primarily motivated by political goals to return fiscal deficits to balance and reduce public sector debt. In between, Canada conducted rotating, structured departmental spending reviews occurring over four years.

Canada is well known for its first and most sweeping spending review – the programme review (PR). The PR process took place over two rounds in the 1995 and 1996 budgets. PR was explicitly aimed at fiscal consolidation to rein in high deficits and reduce debt. Tough agency-specific savings targets were established – as high as 50% in the case of the Ministry of Transport, and between 15-25% for most other ministries. The PR process was based on agency reviews, and was guided by six "tests" (programme assessment

criteria). Spending departments had discretion to organise the PR according to their own preferences, insofar that these “tests” were abided by (Robinson, 2013; Bourgon, 2009; van Nispen, 2015).

The Prime Minister “strongly and visibly supported his minister of Finance” against spending ministers to ensure that no exceptions were made. “No minister was allowed to step aside leaving the burden to others” (Bourgon, 2009). The process was overseen by a Cabinet subcommittee but the decision process in this review was largely secretive, so the decision tools used to arrive at reallocation decisions are not well-understood. What is known is that fiscal targets were introduced late in the PR process, as the process’ initial emphasis was on generating realignment and efficiency opportunities rather than a specific savings yield (van Nispen, 2015).

Overall, the PR was successful in achieving spending cuts with political and administrative support. As a result, programme spending declined from 16.8% of GDP in 1993-94 to 12.1% of GDP in 1999-2000. Aided by favourable macroeconomic circumstances and other reforms, the PR helped the Canadian government reach a balanced budget position by 1997-98 (Bourgon, 2009).

A next phase of spending reviews came into force along with broader reforms of the Canadian government’s expenditure management system in 2007. The objective was straightforward: ensure value for money and a results-focus for spending. At its implementation, the Strategic Review 2007 (SR07) initiative introduced a policy of regular review of direct programme spending by every department and agency on a four-year cycle, referred to as the Strategic Review Process. In 2007 and 2008, organisations under review were provided with the opportunity to put forward reinvestment proposals and options for reallocating funds from lower to higher priorities within their own organisations. There was a 5% reallocation target, but it was treated as a guideline and not considered to be firm. As fiscal conditions became tighter following the financial crisis, the 5% target changed from a suggestion to a requirement for reviewed ministries and reinvestment proposals were no longer considered (Robinson, 2013).

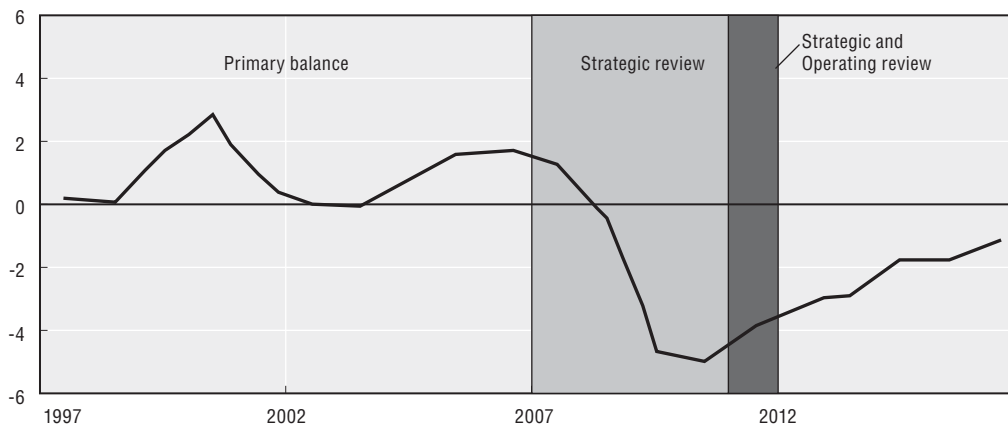
The review basis – direct programme spending – included current spending of ministerial departments, but excluded major transfer programmes and block grants to subnational governments. It also excluded transfers to persons (e.g. social security and unemployment benefits).

The SR07 was guided by three principles:

- increase spending efficiency and effectiveness
- focus on the core roles of government
- align spending with the priorities of Canadians.

Through this process, organisations were responsible to identify opportunities for redirecting funding to other programmes through ministry-by-ministry reviews to identify savings options. These reviews were essentially decentralised (bottom-up), with each agency carrying out its own review and developing its own reallocation or savings options without the direct participation of central budget authorities. Agencies then presented review submissions to the centre: through the Treasury Board Secretariat, in consultation with the Department of Finance and the Privy Council Office.

Figure 5. **Comprehensive Spending Reviews in Canada**
Percentage of GDP, years with spending review shaded in grey



Note: General government primary balance: includes both national and subnational governments.
Source: OECD Economic Outlook 98 database.

Organisations were asked to assess savings options in consideration of key perspectives: operating efficiency, effectiveness, affordability, and relevance to the federal role. However, the methods used to assess these considerations were not enforced by the centre of government. The evidence base for efficiency and effectiveness measures were not made public. However, the results of the SR07 process were detailed on a measure-by-measure basis and incorporated into budget documents (Government of Canada, 2012).

The critical conditions for successful spending review proposals were a clear and strategic alignment of programmes and results and the consideration of external advice and multiple lines of evidence. The objectives of the exercise were clearly and proactively communicated by the centre of government through the three guiding principles. Central budget authority officials have cited that better options emerged from organisations that clearly demonstrated an assessment of their full spending base than from those that focused their savings review efforts on a bottom-up accumulation of measures to hit the 5% savings target (van Nispen, 2015).

Most recently, the Canadian government initiated a one-year Strategic and Operating Review in 2011 (SOR11) to replace the cyclical SR07 process. Like the SR07 process prior, the SOR11 spending base considered only direct programme spending (major transfers to persons and subnational governments were excluded). However, unlike the prior spending reviews, all departments were considered in the single year and savings targets reached 10% of the review base. About CAD 80 billion of direct programme spending was reviewed and roughly CAD 5 billion in savings were identified on an ongoing basis.

Unlike the SR07, which sought out efficiency and allocative improvements, the primary focus of the SOR11 exercise was fiscal consolidation: retracting temporary spending that had been outlaid as fiscal stimulus in response to the 2009 financial crisis. A secondary consideration in the review was the alignment of programme spending to government priorities and the improvement of spending efficiency (Government of Canada, 2012).

The SOR was guided by a Cabinet sub-committee, chaired by the President of the Treasury Board. External consultants provided technical advice on efficiency proposals put forward by departments and agencies, but internal elements of expertise and institutional

processes already existed. The analytical capacity developed in ministries and in the central budget authorities (Department of Finance and Treasury Board Secretariat) throughout the SR07 era facilitated SOR options development in relatively short order. Additionally, the existing set of evaluations further informed SOR11 processes. TBS reports that almost 80% of relevant evaluations were considered at some stage of the SOR11, though in some cases, department heads of evaluation reported that they were not aware of all uses of evaluation findings during the SOR11 process (Government of Canada Treasury Board Secretariat, 2013a; Auditor General of Canada, 2013).

Except for the initial guidance proposed by the Treasury Board Secretariat, the rationale supporting each savings proposal is not well-documented externally and the level of detail underpinning savings options varied by department. Throughout the options development process, savings plans were to be provided on a net basis, with upfront cash generated from within existing departmental budgets. Furthermore, the public data regarding each savings initiative also depicted only net savings, so the extent to which invest-to-save projects were utilised remains unclear.

Large fiscal retrenchment exercises are at risk of relapse due to operating weakness in programmes driven by budget deficiencies. That being said, the government indicates that up to 70% of savings were generated from back office operations, thereby limiting the adverse impact of savings restraint on government outputs. Though the SOR11 was primarily an exercise in spending reduction, allocative gains may have been enabled by pre-existing analytical capacity developed in the SR period prior. Further, risk analysis was well-developed through the implementation process and the monitoring of programmes for performance has sustained implementation largely as planned at the outset of the exercise.

A common lesson of Canadian spending reviews has been the clear objectives in each experience. In programme reviews in the 1990s and in the SOR11, the objective was clear to all involved – fiscal consolidation through spending cuts. Further, in the SR07 period, the objective was clearly focused on reallocation improvements. Though Canadian spending review has differed in its objectives, the clear delineation of the objectives throughout the exercise is a guiding feature consistent to all reviews.

Box 1. Accounting officers

Beginning in 2007, the senior civil servant in each Canadian department is designated as the Accounting Officer. The Accounting Officer has a personal legal obligation to appear before parliamentary committees and answer questions on the management responsibilities of their department.

An important aspect of these testimonies is to provide information and explanations regarding management activities, and to indicate what corrective action has been taken or is being taken to address problems. This duty underscores the importance of the Accounting Officer's role in ensuring sound organisational management.

While the roles of the deputy heads are relatively unchanged under this structure, the reform has strengthened the responsibility for administrative compliance with policies, internal financial controls and management performance.

Source: Government of Canada Privy Council Office, 2012.

2.4. Evaluation

Canada has long used evaluation to support evidence-based policy development. For over thirty years, evaluation in various forms has been used to assess the performance of programmes operated by government departments.

Evaluation was first introduced into the Canadian federal government in the late 70s to help improve management practices and controls. Evaluation functions were established in departments under the responsibility of deputy heads and programme evaluations were completed on a three- to five-year cycle. Deputy heads used evaluation findings and recommendations to make more informed management decisions, demonstrate accountability and provide quality advice to ministers. In practice, evaluation functions languished in some organisations. Ministers were largely outside the process, often viewing evaluation and review activities as an internal bureaucratic process (Government of Canada Treasury Board Secretariat, 2004).

Subsequent reforms in the 1980s and 90s responded to what were perceived as overly bureaucratic evaluation processes by doing away with the five-year review requirement and enhancing the programme managers' responsibilities in regard to both internal audit and evaluation. Indeed, audit and evaluation policies were briefly combined into a "review policy". The Treasury Board Secretariat (TBS) actively provided guidance and oversight, but programme evaluation focused more on decentralised issues of programme management, including questions of efficiency and service delivery rather than outcomes (Government of Canada Treasury Board Secretariat, 2004; Lahey, 2010).

In 2001, Canada began to provide greater central support for evaluation within departments. These reforms included:

- A new Evaluation Policy with an increased emphasis on results.
- The creation of the Centre of Excellence for Evaluation (CEE), a unit within TBS designed to help build government-wide, consistent evaluation capacity. The CEE provides functional advice and guidance in the conduct and use of evaluation practices across the federal government.
- Financial resources for departments to build evaluation capabilities.
- Separating audit and evaluation policies and functions.

Evaluation was perceived at that time less as a check on management, but rather an aid to good management. Emphasis was placed on evaluation as a tool to help managers manage for results and embed the discipline of evaluation into management practice (Lahey, 2010; Government of Canada Treasury Board Secretariat, 2004).

In 2006, the Financial Administration Act introduced the requirement that all ongoing grants and contributions programmes (a component of direct programme spending) be reviewed every five years, with the first five-year period spanning 2006 to 2011. This review was later defined by the Treasury Board as an evaluation.

Then in 2009, the Evaluation Policy renewed emphasis on value-for-money. It ensured evaluation coverage of all direct programme spending and sought to better support policy and programme improvement, expenditure management, Cabinet decision making and public reporting (Government of Canada Treasury Board Secretariat, 2014).

Beyond audit and reporting, evaluation has re-emphasised systematic assessment of core issues of programme relevance, effectiveness, efficiency and economy. Evaluations are increasingly seen as tools that can be used by departments and the centre of

government to better integrate programme performance information into decision-making and the budget. The Policy also helped evolve the evaluation function to an environment in which strategic and other spending reviews require information about programme relevance and performance (Government of Canada Treasury Board Secretariat, 2014).

The CEE has played a central role in functional evaluation leadership by supporting capacity-building, monitoring and annually reporting on the health of the evaluation function in government. The CEE has also released several pieces of written guidance, led interdepartmental thematic working groups and workshops on: assessing programme efficiency and economy, theory-based approaches to evaluation, evaluating horizontal initiatives and evaluating policy programmes (Government of Canada Treasury Board Secretariat, 2013a; Government of Canada Treasury Board Secretariat, 2013b).

The Evaluation Policy re-instated the requirement for all departments to evaluate all direct programme spending every five years. This requirement increases the coverage of evaluation, to ensure that there is performance information available on all direct programme spending. Each department has designated a head of evaluation with unencumbered access to the head of the organisation, and most have formed departmental evaluation committees. This formalisation of the evaluation function is seen to improve the neutrality of evaluations within departments.

Sub-directives under the Policy strengthened requirements for programme managers to collect ongoing performance information for all programmes, to support both the management of these programmes and periodic formal evaluation of their effectiveness. Evaluation units within departments are also required to address a prescribed set of core issues in each evaluation. That being said, departments have considerable flexibility in the design and conduct of evaluations.

Box 2. Good practice: Audit and Evaluation Database

The *Audit and Evaluation Database* provides a central registry for completed audits, evaluations and similar studies from across government. The database supports TBS with oversight and assists parliamentarians, departments and public access to evaluation information. The database is searchable and is updated regularly.

In this context, the inclusion of evaluation evidence in the budget process is improving. During 2011-12, 80% of relevant evaluations were considered in Treasury Board submissions and 60% of relevant evaluations were considered in Memoranda to Cabinet, the two key financial decision stages for cabinet. Strategic reviews raised the profile of the evaluation function by requiring departments to systematically address fundamental issues of programme relevance. In internal reviews of evaluation, two-thirds of programme managers reported that evaluations were useful or somewhat useful for spending reviews (Government of Canada Treasury Board Secretariat, 2013a).

It is expected that improved coverage and quality will lead to enhanced use of evaluation information in cabinet analytical support and budget deliberations. In the same 2011-12 period, the Auditor General found that 30% of Treasury Board submissions contained information from completed evaluations. The 2013-14 fiscal year marked the end of the four-year phase-in period to full evaluation coverage of all direct programme

spending. All direct programme spending is now subject to evaluation and – under the requirement for comprehensive coverage – will have been evaluated by 31 March 2018 (Auditor General of Canada, 2013).

The government expects positive economies of scope on evaluation. From one planning period to the next, prior evaluations of programmes should facilitate subsequent evaluations. Where a solid foundation of evaluative information about a given programme is already available, fewer resources are likely needed for conducting future evaluations.

Despite progress in the comprehensiveness of evaluation, budget-relevant evaluation information is difficult to attain. The Auditor General and the Treasury Board Secretariat both examined evaluation capacity within departments under the Evaluation Policy to find that departments find efficiency and economy analysis particularly challenging because it requires programme-level information about both effectiveness and expenditures. The Auditor General also noted that weaknesses continue to limit the contribution of programme evaluation to decision making in the government. In 2011-12, limited availability of ongoing performance information prevented some departments from properly addressing programme effectiveness, so decisions were made about programmes and related spending with incomplete information on their effectiveness. Lastly, the Auditor General also recently noted shortcomings in carrying out neutral assessments of the function in departments (Government of Canada Treasury Board Secretariat, 2013a; Auditor General of Canada, 2013).

Following these findings, TBS has since issued central guidance on tactics to assess programme efficiency and economy in evaluations and on neutral assessment of the evaluation function.

2.5. Monitoring

Canada's government began to report performance monitoring information on a widespread basis beginning in the early 1990s. In 1997, Canada split its Departmental Expenditure Plans into Reports on Plans and Priorities (*ex ante* plans) and Departmental Performance Reports (*ex post* results). Each government department is required to submit an annual Report on Plans and Priorities to Parliament. This reform sought to shift emphasis from inputs to outputs and outcomes (Lahey, 2010). The number of reports has since expanded, but the objectives remain:

- to enable parliamentarians to scrutinise value-for-money across the government by linking financial and non-financial performance information
- to put greater responsibility on the managers of government programmes to account for performance and measure and report performance results.

These tools form the foundation of Canada's current monitoring structure.

The departmental-orientation of Canada's monitoring and reporting structure provides clarity in accountability. The Overview of Government Spending and Performance (OGSP) maps programme spending to 16 whole-of-government outcomes, categorised in four major policy areas. It links appropriations and actual spending to relevant performance in DPRs. In the spring of 2015, spending information presented in the OGSP was aligned and presented in a more accessible format through the TBS InfoBase. There are no performance indicators and targets associated with the whole-of-government outcome areas or major policy areas, only spending amounts.

Box 3. Roles in evaluation

The centre of government is most strongly involved in evaluation through TBS. The TBS Centre of Excellence for Evaluation is the technical support unit for evaluation, though evaluation units themselves, responsible for designing and undertaking evaluations, are decentralised and housed within departments.

The Policy on Evaluation requires departments to put governance structures in place to ensure a neutral evaluation function. By 2011-12, all large departments and agencies had a departmental evaluation committee, most of which were chaired by the department head. Central leadership within line ministries has proven successful in promoting evaluation use and efforts in departments.

The budget for the evaluation unit in each department is not segmented from each department's ordinary operating budget and more than 90% of evaluation functions were co-located with one or more other functions (e.g. audit or performance management).

Outside of the executive branch, the Auditor General of Canada is an independent auditor and reports directly to Parliament. In 1977 the *Auditor General Act* was amended to allow the Auditor General (AG) to examine and report to Parliament on economy and efficiency of government activities. The Act allowed the Auditor General to report on procedures established to measure and report the effectiveness of programmes; however it does not allow the Auditor General to measure the effectiveness of the programmes themselves. The AG periodically provides assessments of the effectiveness of evaluation government-wide.

The AG has a credible, well-respected role in the public sector. Its reports are generally of high public profile and receive a commensurate amount of attention in executive decision-making processes. The AG has also championed a strong central agency role as a facilitator of departmental evaluation. The presence of the AG provides an integral function promoting evaluation as a function in decision support in budgeting.

There is no formal mechanism in place to respond to certain types of in-year data to affect a budget resources response, automatic or otherwise. To date, the core use in the monitoring regime has been primarily presentational – with a focus on accountability and openness, rather than management and allocation decision support.

While departments struggle to develop budget relevant performance information, there is progress in establishing comprehensive performance information across departments. In 2013, the Auditor General found in a sample of three departments, that “48 of 54 programmes were collecting some performance data”. TBS was credited for providing “adequate support to help departments generate ongoing performance information” (Auditor General of Canada, 2013).

However, weaknesses in the quality and relevance of performance data collected inhibit the practical use of performance information, beyond presentational purposes. This is particularly a constraint for evaluation. The Auditor General found that “information about ongoing programme performance was unavailable to the evaluators as they assessed programme effectiveness, and thus they were required to either rely more on subjective and qualitative information or collect more data than would otherwise have been the case” (Auditor General of Canada, 2013).

Table 1. **Tools of the Canadian monitoring structure**

Tool	Periodicity	Audience	Description
Reports on Plans and Priorities (RPP)	Annual	External	Forward-looking documents that describe departmental priorities, expected results and associated resource requirements covering three fiscal years.
Departmental Performance Reports (DPR)	Annual	External	Individual department and agency accounts of actual performance for the most recently completed fiscal year, reported against the plans, priorities and expected results set out in their respective RPPs
Quarterly Financial Reports (QFR)	Quarterly	External	Departmental reports that contain financial tables on year-to-date spending, along with a narrative section which provides a concise discussion on the significant changes affecting both the quarter- and year-to-date financial results, as well as changes in relation to operations, personnel and programmes. Required to be published for each department within 60 days of the end of quarter.
Management Resources and Results Structure (MRRS)	Annual	Internal	A macro, department-level framework that serves as the basis for identifying programme expected results and associated performance indicators. It is the key aspect of internal performance monitoring reporting at the department level. Departmental MRRS structures also serves as the reporting framework for Parliamentary reporting, such as for Main Estimates, RPPs, DPRs and Public Accounts.
Performance Measurement Strategy Framework	Continuous, daily	Internal	A framework to support programme managers within departments monitoring and assessing the results of programmes and ensure that a sufficient information base is developed for monitoring and reporting on programmes and in-depth programme evaluation.

In TBS's own monitoring of departments in 2011-12, roughly half of large departments and agencies had sufficiently high quality performance information to support evaluation. Thirty per cent reported that performance information was partially sufficient to support evaluation, and 13% indicated that it was insufficient (Government of Canada Treasury Board Secretariat, 2013a).

The quality of information collected for monitoring purposes is the vital link to supporting subsequent performance budgeting functions. In the Canadian experience, programme evaluators have yet to fully benefit from increased availability and quality of ongoing performance data in evaluation functions.

Parliamentarians have consistently called for improvement in the accessibility, quality and usefulness of performance and financial information. Reports tabled to parliament provide volumes of information, yet are difficult to synthesise and compare, inhibiting use by parliamentarians. Recent efforts have improved the quality and readability of reports to parliament: a common template was introduced for departmental performance reports in 2011.

The hierarchy presentation of financial information at a whole-of-government to programme level is an important starting point, yet the reconciliation of performance information from the bottom-up is a work-in-progress. Increasing use of web tools, such as the TBS InfoBase, improve usability of this information.

Internally, TBS operates the Management Accountability Framework (MAF) to set common expectations for management practices and performance. The MAF is a key vehicle for monitoring by TBS of the implementation and effect of policy expectations. It assesses such areas as financial, people and IM/IT management, among others. In 2015-16, the MAF will assess whether departments and agencies are compliant to the Policies on Management, Resources and Results Structures and Evaluation, and have practices in

place to create and use performance information in reporting and decision making. The performance assessment for management results of senior officials within departments is linked to their MAF results (Government of Canada Treasury Board Secretariat, 2013c).

Other in-year monitoring systems inform TBS, albeit in ad hoc and limited ways. At present, in-year spending metrics are used to examine spending patterns to inform more in-depth analysis, such as evaluation. And in-year data is used as a consideration of incremental funding requests.

Canada has also adopted open data tools and practices. It ranks 5th on the OECD Open, Useful, Reusable Government data Index (OURdata Index), reflecting a high level of data availability and accessibility on the national portal and, generally, high support from government to support the reuse of public data.

In the budget domain, Canada has recently launched the TBS InfoBase interactive budget tool, as a public-facing interface for current spending analysis. At the moment, the tool does not include performance measures. The development of open data initiatives, like the TBS InfoBase and the wide-spread adoption of quarterly financial reporting have not only improved public access to budget data, but have also improved practical data access within Canada's central budget authorities. Prior to TBS InfoBase development, the same financial and non-financial data was available upon request to TBS, but was not disclosed proactively in many cases, nor published for external use.

Open data initiatives required new central guidelines on the preparation and timeliness of data, enhancing the quality of financial and non-financial data available to TBS. Further, narrative analysis accompanying quarterly financial reports provide contextual information and a clear departmental position that may have otherwise gone without notice in budget authorities.

So while the TBS InfoBase and QFRs use only pre-existing forms of financial information, practical access and use has been enhanced by new procedures to ensure uniformity and comparability for financial information inputs.

Currently, Canada is implementing a number of improvements to its internal monitoring information systems through better use of existing financial and performance information. These improvements will permit the creation of benchmarks in common thematic areas: internal services, block grants to subnational governments and public-facing services.

New metrics will aid comparisons of “like” programmes or organisations by providing:

- performance dashboards and heat maps
- cross-cutting analytical works
- standardising in clusters of governmental operations
- benchmarking within and outside of government.

A principle that will underpin the implementation of these reforms is TBS supporting new products and processes with “positive trade-offs” on information demands in order to reduce the net reporting burden on departments. Second, the reforms are supported by improved information systems, which help integration and transform raw data into useable analysis input.

3. Ireland

3.1. Fiscal context

Ireland's public finances have been considerably constrained in recent years. The global financial crisis led to a general government deficit reaching -13.8% of GDP in 2009. Ireland is a member of the European Union and a participant in the European Monetary Union, and thus follows an extensive suite of fiscal rules, including but not limited to limits on annual deficit spending and total government debt.²

In order to rebalance revenues and spending, Ireland undertook a wide spectrum of policy measures, including reforms of compensation in central government. Strategies included pay reductions, a recruitment freeze, non-replacement of retiring staff and some outsourcing of activities. As a result of the consolidation efforts pursued by the government, the deficit level decreased to -3.9% of GDP in 2014 and is projected expected to further shrink in the coming years.

The latest fiscal reforms began in 2009, when a Special Group on Public Service Numbers and Expenditure Programmes was established to discover rapid spending cuts of 8% of total spending, and a 6% reduction in the number of staff. This review laid the analytical foundation for subsequent, broader review (Special Group on Public Service Numbers and Expenditure Programmes, 2008).

When the most recent government assumed office in early 2011, it undertook a broader reorganisation of government functions aimed at accentuating and advancing an agenda of public reform. The functions of the former Department of Finance were split between two organisations: the Department of Finance continues to manage aggregate fiscal policy, tax policy and the financial services sector; and the Department of Public Expenditure and Reform (PER) is responsible for public expenditure policy, the management of the civil and public service, and a broad range of related reform themes (Department of Public Expenditure and Reform; Boyle, 2014).

In December 2011, the government published a Comprehensive Expenditure Report 2012-2014 which mapped out a number of specific budgetary reforms, including performance budgeting measures.³

Some reform measures created new organisations, roles or functions:

- Department of Public Expenditure and Reform (PER).
- The Irish Government Economic and Evaluation Service (IGEES) was developed as an integrated cross-government service to enhance the role of economics and value for money analysis in public policy making.
- The creation of the IGEES Network (formerly the Public Service Evaluation Network) to help build capacity.
- Enhanced managerial responsibility and accountability of senior civil service management through linking Secretary-Generals' responsibilities directly to parliament as an accounting officer.

Others included emphasis on new or improved analytical products:

- The use of evaluations in periodic comprehensive reviews of expenditure (CRE), including both departmental-based and thematic evaluation reports.

- Changes to the programme review process, known as the Value for Money and Policy Review (VFMPR) process, including more targeted reviews, alignment with the expenditure allocation process and greater involvement for parliament in the selection and assessment of reviews.
- The introduction of focused policy assessments (FPA), more narrowly focused assessments designed to answer specific issues of policy configuration and delivery and complement the VFMPR process.
- The introduction of a Public Spending Code to bring together good practice guidance on evaluation and appraisal.

Many of these reforms have occurred rapidly in recent years, on parallel tracks. While Ireland has reformed its budgetary architecture already, the institutions are changing and the people within are also learning how to make these reforms work together as part of an overall framework. Efforts to build performance information data, along with systemic awareness and capacity to use new information and tools are works-in-progress.

3.2. Legislative context

Ireland's general budget deliberations in parliament are led by the Public Accounts Committee (PAC), among the strongest committees in parliament. The committee is most commonly chaired by leading members of opposition parties and typically attracts high calibre committee candidates. The PAC is supported by the Comptroller and Auditor General, and thus has access to quality budget analysis (Houses of the Oireachtas, 2015).

That being said, the Irish parliament has a relatively limited role in performance-informed budget scrutiny. For example, the scrutiny period occurs after the budget year begins and so does not give parliamentary committees the opportunity to consider how performance results might be taken into account in allocation decisions.

Despite these practical limitations, the performance budgeting initiative in Ireland has involved a significant reformulation of the Estimates documentation provided to parliament. It has also allowed for the development of the Ireland Stat website. While these performance budgeting tools have current functional limitations, they are an improvement on the availability of budget-relevant performance information in the Irish parliamentary system.

The aim of the performance budgeting initiative is to strengthen the focus upon what is being delivered with public resources and to build this information into the policy-making process. The inclusion of performance information in the Estimates documentation is intended to support parliament's examination of the Estimates by providing members of parliamentary committees with high level performance information to help inform discussions of how resources have been used and how resources might be used over the coming years. This information is also intended to contribute to committees' *ex ante* discussions of resource allocations as part of the "whole of year" budgetary process.

3.3. Spending review

Spending reviews are now a central feature of the Irish budgeting system and their core purpose is to support the Government's deliberations in setting multi-annual expenditure ceilings. Spending reviews also provide the government with the opportunity to comprehensively examine how public resources have been used, to prioritise and determine how spending will be allocated in future budgets.

That being said, the spending review is a relatively new process in the Irish budgeting system. Prior to 2009, spending review occurred in Irish government in an ad hoc manner, involving periodic policy and programme studies on select topics such as industrial programmes, informal internal programme performance reviews with line managers and internal and value-for-money (VfM) audits (Boyle, 2014).

Until recently, Ireland's Value for Money Review Initiative was the most comprehensive, systematic tool to gauge programme effectiveness. It provided a framework for capital budgeting and performance information to complement current spending plans, and set specific guidelines for evaluation and cross-government common spending. It required all departments to systematically review spending programmes to ensure that they were working efficiently and effectively, and was an important part of public sector modernisation programmes in the late 90s and early 2000s.

At that time, the VfM Initiative was centrally co-ordinated by the Department of Finance (and later, the Department of Public Expenditure and Reform). Review topics were approved by Government with final reports required to be published and put before parliament. Issues of quality and coverage have been persistent limiting features of the initiative. However, outside of the VfM Initiative, a systematic and comprehensive programme review facility did not exist (Department of Public Expenditure and Reform, 2015).

Launched at the onset of the 2009 financial crisis, the Special Group on Public Service Numbers and Expenditures Programmes was tasked to undertake analysis of all government spending areas, including previously politically unpopular measures (reductions to social welfare, pensions and public sector pay). The Group was comprised of independent, external experts, drawing analytical support from line ministries, with an objective to make recommendations for reducing the civil service. The Group was comprised of a mix of expertise and views, comprised of experts from within and outside the public sector. The analytical support for the Group, however, was provided fully by the Ministry of Finance (Special Group on Public Service Numbers and Expenditure Programmes, 2008; Boyle, 2014).

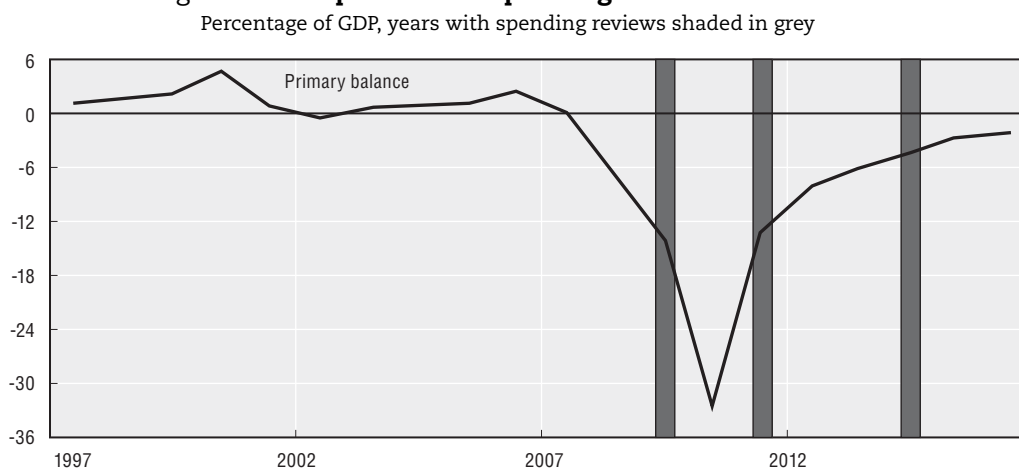
As part of the process, senior officials from each line ministry were invited to submit an evaluation paper in advance. The purpose of the evaluation paper was to give line ministries an opportunity to outline possible savings options and the impacts on outputs and outcomes. In parallel with this process, the group requested the Ministry of Finance to independently prepare their own evaluation papers with options for expenditure and staff reductions (Special Group on Public Service Numbers and Expenditure Programmes, 2008).

Both sets of evaluation papers were considered by the Group in advance of meetings with the management teams of each line ministry. Subsequently the Group produced its own savings options, making use of all information thus obtained.

The experiences of this review were formative in setting the stage for broader reforms in 2011. The analytical support for SR09 was constrained, in that the Special Group did not have adequate whole-of-government analytical evidence to base strategic allocation decisions upon. Ireland possessed a strong tradition of evaluation for EU Structural Funds capital expenditure, but there existed less evaluative rigour for current spending. The Group identified savings in a diverse range of programmes: welfare programmes, health and education and staff. However, the measures were intended to be implementable in short order and were not focused on efficiencies. The report of the Special Group identified areas for potential savings, while identifying continued need to advance efficiency and expenditure management analysis (Ruane, 2012; Boyle, 2014 and 2011).

Soon after, accompanied by other reforms mentioned at the outset of this chapter, Ireland's government instituted the 2011 Comprehensive Review of Expenditure (CRE) in order to examine every area of spending. The purpose of the CRE11 was to enable the Government to meet its overall budgetary objectives, to maximise the scope for reform and restructuring across public services, and to realign the allocations with the Government's new priorities. The review occurred under extremely constrained fiscal pressures (Government of Ireland, 2011).

Figure 6. Comprehensive Spending Reviews in Ireland



Note: General government primary balance: includes both national and subnational governments.

Source: OECD Economic Outlook 98 database.

The CRE11 was led by PER, rather than the external committee leadership used under the Special Group in 2009. A central unit within PER provides expertise and technical skills to support and oversee the review process in line departments. The CRE set out multi-annual budget plans with a three-year time horizon, presented to parliament for debate.

The input to CRE11 included submissions from each department as well as thematic evaluations that spanned departments and programmes. External consultation was also used in the CRE11 process, utilising external experts as well as consultation with the general public.

The outcome of the CRE11 process was the Comprehensive Expenditure Report 2012-2014 (published in December 2011) in conjunction with Budget 2012, which established expenditure ceilings for 2012-14. Like SR09, the CRE11 achieved considerable fiscal cuts, with efficiency and economy taking second order priority.

In addition to the review, the Government committed that “zero-based” CRE exercise should be conducted approximately every 3 years so that the multi-year ministerial expenditure ceilings can be re-set to reflect developing Government priorities. Since, a second CRE14 has been completed: the Comprehensive Expenditure Report 2015-2017. The CRE14 set multi-annual expenditure ceilings for the three year period 2015-17 and set out to “explore new and innovative ways of delivering Government policy in a reformed Public Sector” (Government of Ireland, 2011).

Box 4. Public Spending Code

In 2013, Ireland's Department for Public Expenditure and Reform introduced the Public Spending Code – a set of rules and procedures that apply to ensure that standards are upheld across the Irish public service. The Code builds upon principles applied in the 2011 CRE to bring together in one place all of the elements of the value-for-money framework.

The guidance is structured according to the main stages in the expenditure lifecycle (i.e. appraisal, planning, evaluation and review). There is a strong focus on expenditure appraisal in the Code, applying best practice *ex ante* analysis principles to all expenditure (current and capital). This includes a requirement to ensure new spending proposals have a plan for gathering and measuring performance data. The logic follows that improved business cases should lead to better performance monitoring and evaluation, though the practical benefits of this framework may take several years to take effect.

The CRE14 took place in a different fiscal and economic environment than its predecessor in 2011. No longer was the focus urgent fiscal consolidation, but rather sustaining prior spending cuts and service standards. Indeed, the Expenditure Plan associated with the CRE14 provided a nominal increase, rather than decrease in spending, the first annual increase since 2009 (Government of Ireland, 2015).

Like in 2011, each government department carried out a review of its existing expenditure across its main spending programmes and submitted the outcome of that process to the Department of Public Expenditure and Reform, for inclusion in the budget and allocation of expenditure for 2015 to 2017.

However, as a new element of the CRE14 process, a small number of cross-cutting evaluations/policy analysis papers were developed by the newly established Irish Government Economic and Evaluation Service (IGEES). Also, as part of the CRE14 process, the public and interested parties were invited to submit constructive comments and suggestions in relation to public expenditure and reform in the context of the review. Over 60 submissions were received from a mixture of individuals and organisations which were considered by the relevant Government Departments as part of their CRE14 analysis.

It remains to be seen how spending review will evolve in the Irish system. The first, in 2011, took place under extreme economic, fiscal and political conditions. Spending reviews were predominantly concerned with identifying savings, an objective that was broadly perceived as necessary, with widespread support. However, the economy has since begun to recover. The emphasis in the latest spending review shifted from a process to identify spending cuts to one of trying to assess competing priorities. While there are examples of sustained periodic spending reviews (the Netherlands, UK), there are others in which support for spending reviews has ebbed and flowed with fiscal pressures (Canada). Spending reviews may further evolve in the context of expenditure policy regulated by EU Fiscal Rules.

3.4. Evaluation

Ireland has a relatively strong tradition of evaluation.

Beginning in the 1980s and throughout the 90s, evaluation practices in Ireland were tied to European Union funded programmes and the emphasis on evaluation evolved with use of the EU structural funds. Programme evaluation became a formal requirement of

Box 5. Roles in the system

The Central Expenditure Evaluation Unit (CEEU) in the Department of Public Expenditure and Reform (PER) was established in 2006 to promote the application of best Value for Money (VfM) practice in public expenditure programmes and projects. Its role has since evolved beyond that to include the provision of analytical and research support, to PER and also to others.

The CEEU provides internal consultancy within PER. With other departments, its role is to act as a source of technical expertise and training as opposed to research support. It also delivers its own programme of evaluation to support the CRE and to complement VFMs/FPAs carried out by other departments. A key role of the CEEU involves co-ordination and management of the Value for Money Review Initiative to support the CRE. This includes a quality assurance role. The unit also carries out awareness building activities to support dissemination of the Public Spending Code through seminars and workshops delivered across the other government departments.

The Irish Government Economic and Evaluation Service (IGEES) is an integrated cross-government service to enhance the role of economics and value for money analysis in public policy making. Established in 2012, the Service demonstrates a desire to develop a high and consistent standard of policy evaluation and economic analysis throughout the Irish Civil Service. IGEES centralises standards of recruitment and service, to ensure that professional economic and evaluation service standards are delivered across all government departments.

The IGEES Network helps build evaluation capacity in line departments. Almost all departments now have an IGEES unit with clear work programmes that should support better policy development and evaluation.

The Office of the Comptroller and Auditor General has assigned evaluation functions and acts as an intermediary between the legislature and the executive. The Comptroller and Auditor General has a mandate to carry out value-for-money (VFM) audits. VFM audits examine (a) the economy and efficiency with which state bodies acquire, use and dispose of resources and (b) the systems, procedures and practices employed by state bodies for evaluation the effectiveness of their operations.

those receiving assistance, and this led to further developments in evaluation practice in Ireland. Each operational programme was subject to *ex ante*, intermediate, and *ex post* evaluation. Internal, external and independent evaluation examined each operational programme (Boyle, 2011 and 2014).

This accompanied internal interest in evaluation of public expenditure and programme review. In 1993, an amendment to the *Comptroller and Auditor General Act* gave a mandate to the comptroller and auditor general to carry out value-for-money audits and in 1997 the government approved a series of expenditure reviews to be carried out as part of a new system of comprehensive programme review. The Value for Money Initiative was launched in 1997 as a systematic tool to evaluate programmes, and to institutionalise evaluation of expenditure programmes as part of the wider agenda of public service reform.

At that time, the Economic and Social Research Institute (ESRI) commented that the system of evaluation that had been put in place in the context of EU structural funds had helped shape an increasing interest in assessing the effectiveness of programme expenditure, and that it was important that the process of evaluation continue as EU

funding reduced. However, as Ireland's use of structural funds reduced in importance throughout the 2000s, the evaluation arrangements associated with the funds were cut back. While there was significant evaluation activity associated with the 2000-06 tranche of funding, during the 2007-13 national development plan the level of evaluation activity decreased (Economic and Social Research Institute, 2003).

In spite of reduced resources devoted to evaluation, external reviews of the quality of VFM audit reports found that the information within VFM audits are high and that that evaluation carried out close to the programme or policy was effective at addressing operational issues. Irish evaluation capacity remains strong in capital project planning and review (Boyle, 2014).

However, the VFM audits have been less likely to address impact and continued relevance issues. Studies suggest that internally-run evaluations are unlikely to propose sweeping revisions of existing programmes or outright elimination. Rather, Ireland's VFM evaluations mostly recommended minor programme alterations or changes in management processes. Smyth (2007) suggests that:⁴

It is quite obvious that these reviews look at areas of efficiency and effectiveness that must be addressed within the programmes themselves rather than a more fundamental process of evaluation that points to the need for a continuation of the scheme or programme or the need to radically redistribute resources between various programmes.

Consequently, evaluation of current spending had been of limited use in Ireland when it comes to budgetary decision-making. This may result from a lack of separation between the evaluator and the evaluated.

During the 2009 spending review, the Special Group on Public Service Numbers and Expenditure Programmes was specifically formed to examine the current expenditure programmes in each government department and to make recommendations for reducing public service numbers aimed at ensuring a return to sustainable public finances.

Examining the outputs from the Value-for-Money Policy Reviews (VFMPR), the Special Group noted a general deficiency of information regarding the public service impacts associated with particular expenditure items. The Group found that the VFMPRs had limited success in redirecting scarce resources away from lower-priority, lower-performing areas to areas where they can be put to more productive use.

Consequently, the Special Group recommended that:

Competency should be developed to allow expenditure programmes to be challenged and tested, on the basis of independent and publicly-available evaluation of value-for-money and effectiveness. This competency should be developed through enhanced VFM and Policy Reviews that are more tightly woven into the resource allocation process and through a stronger role for an independent body such as the Comptroller & Auditor General (C&AG).⁵

In this context, following a pilot exercise for the 2011 Estimates, the Central Expenditure Evaluation Unit (CEEU) led the full roll-out of performance budgeting. The CEEU will play a particular role in advising on the appropriate indicators to use in measuring outputs and assessing progress against objectives.

The recommendations produced by the CEEU in their cross-cutting evaluation reports have proven to be more likely than VFM reports to suggest substantial re-design or termination of the programme.

Also as part of the reforms, the government has strengthened the VFM function. Expenditure programmes are now subject to review under the already established system of Value for Money and Policy Reviews (VFMPRs). Departments subject major blocks of expenditure to rigorous evaluation over a 3-year cycle. By systematically analysing the performance of programmes, these reviews provide evidence to support more informed decisions about priorities between and within expenditure programmes.

These evaluations are intended to be primary sources of evidence for the Comprehensive Reviews of Expenditure. Each Department prepares a multi-annual VFM schedule, agreed with the Department of Public Expenditure and Reform, providing for review of strategic programmes over a three-year period. These programmes are agreed upon by government.

These VFMPRs have improved the body of knowledge on evaluation, particularly the links with the CRE. VFMPRs rely upon a mix of quantitative and qualitative methods, ranging from simple descriptive statistics to more complex accounting and forecasting techniques. Evaluators also use primary data gathering (interviews, site visits) to support conclusions. The technical evaluation capacity is improving, as VFMPRs are beginning to include more complex counterfactual analysis when quality data is available.

The VFMPR is still a developing tool. There is no structured process for other performance information, such as that provided in VFMPRs and C&AG reports, to feed into the budget process. And despite certain planning aspects (the three-year schedule for evaluation) VFMPRs are conducted on an ad hoc basis, resulting in sometimes inconsistent methods and presentation. These incongruities render it difficult for policy-makers to compare and contrast programmes or programme options. Further, in a context of declining budgets, the C&AG has reduced focus on VFM studies to prioritise core audit, for which it has a statutory obligation.

Finally, the VFMPRs, as is the case for most evaluations, have long timelines and may not be finalised within the sometimes short timelines of a spending review. As such, VFMPRs are complemented with more narrowly focused assessments designed to answer specific issues of policy configuration and deliver – the Focused Policy Assessments.

Box 6. Good practice: Benchmarking

Ireland has demonstrated a history of benchmarking policies and programmes publicly – particularly in the domain of economic competitiveness, where internationally accepted standards provided rigour and consistency in the consideration of policy proposals. The transparency of benchmarking exercises has been extended to other departments, where an increasing number of departments publish statistical data, and policy reports. The Department of Public Expenditure and Reform (PER) demonstrates good practice in this regard.

Focused Policy Assessments (FPAs) are designed as a smaller, less detailed complement to the VFMPRs. Initiated under the CRE 2011, the FPAs provide a shorter, sharper methodology, and are typically more narrowly focused than VFMPRs. However, the broader objective of the FPA is the same: an evaluation tool for government departments to answer specific issues of policy configuration and delivery, and examine cross-cutting issues spanning departments. Except in the cases of straightforward programmes, the FPA is designed as a preliminary evaluation to triage candidate programmes for larger-scale VFMPRs. The FPAs can also attempt to evaluate specific questions of programme design and delivery.

The FPAs process includes comparative scoring, standardised across government. Each report reviews programmes on a “balanced scorecard” set of criteria. The criteria includes: the quality of programme design, implementation and cross-cutting issues with other programmes.

An overall, standardised quality score (high, intermediate, low) is provided for each evaluated programme. The stated objective of the balanced scorecard process is to provide a programme rating that is of use to policy-makers and to those – including parliamentary committees and the general public – scrutinising the cost-effectiveness of spending.

The FPAs are conducted on a relatively small scale, with one or two evaluators assigned to any single project for a maximum of three months. The topics are selected by PER, but the FPAs themselves are managed by the individual departments and are conducted using internal departmental resources and management. Unlike VFMPRs, which have no central repository for evaluation results, all FPAs are to be published on the IGEES website.

FPAs, to date have successfully remained focused in their analysis and conclusions. The reports list shortcomings, substantiated with evidence linked to performance targets and departmental objectives.

The intention of the design of the current Irish evaluation system is that over time the FPAs and VFMPRs will form a useful body of analysis that would better inform budgetary discussions and, in particular, provide a significant input into future spending reviews.

3.5. Monitoring

The Irish government sought to adopt “context and impact indicators” to overcome the so-called “problem of attribution” (i.e. distinguishing between the direct impact of Government action, and impacts from other intervening factors) when choosing outcome indicators. Their stated objective was to inform the public with measures of the broad “direction of travel” in meeting goals, not to provide a scientific linkage between action and results in all cases (Government of Ireland, 2011).

As part of this objective, the Estimates Volume has been reformatted with the intention of capturing very high level performance information (targets for current year, and next year as well as trends on context and impact indicators) and Ireland Stat has been developed as a pilot project capturing quantitative metrics (a space to give an explicit focus on quantitative rather than qualitative metrics). These tools are intended to provide core monitoring information – to gain as much insight as possible through existing data, and to complement and guide subsequent in-depth evaluations to gain more granular insights (Government of Ireland, 2011 and 2015).

Box 7. The Public Spending Code and Value for Money Policy Reviews

The Public Spending Code is the set of rules and procedures ensure that all Irish public bodies treat public funds with care, and ensure that the best possible value-for-money is obtained whenever public money is being spent.

The Code brings together in one place all of the elements of Ireland's Value-for-Money framework. All government departments, local authorities, the Health Service Executive, public bodies and all bodies in receipt of public funding must comply, as appropriate, with the relevant requirements of the Public Spending Code. The Code is the basis for the requirements for VFMPRs.

The Code sets out that each department should prepare an annual and multi-annual VFMPR schedule, agreed with the Department of Public Expenditure and Reform, providing for review of strategic programmes over a three-year period; each such review should be completed within a 6 to 9 month timescale as a rule; and each Review should have a uniform output – a “balanced scorecard” – assessing each programme against a range of criteria useful to decision makers.

As a matter of course, the Code recommends that departments engage with relevant parliamentary committees to ensure that their evaluation work programme is aligned – in terms of content and timetabling – with parliament's needs (Ireland Department of Public Expenditure and Reform, 2011).

Box 8. Capacity for evaluation

A significant issue in ensuring access to people with appropriate skills and expertise is the extent to which staff are appointed and developed within the public service, or whether outside expertise is used. When using outside expertise it is more likely that the people contracted will be specialised professionals or evaluation professionals, as it is particular expertise that is being brought in.

Sonnichsen (1999) indicates that a mix of insiders and outsiders may offer the ideal combination, allowing access to outside expertise and distance from the programme when needed, while at the same time enabling organisations to take advantage of their internal evaluator's familiarity with the culture of the programme and access to decision makers (Boyle, 2014).

The Public Spending Code sets out the formal position in Ireland with regard to the use of consultants for VFMPR evaluations:

The engagement of paid consultants to carry out VFMPRs, as a rule, is not permitted. The VFMPR work should be conducted from within the evaluation/policy analysis resources that are developed and maintained within each Department/Office. Exceptions can only be justified on the basis that a particularly complex piece of analysis is required and that the necessary skills are not available internally. Even where this is the case it is not a justification to outsource the whole review.

However, many departments use consultants for economic impact assessment for policy reviews outside of the formal VFM Review Initiative. In addition, during the 2015-17 VFMPRs/FPAs, there is provision for consultants to carry out highly technical work such as counterfactual analysis, providing there is clear oversight and some level of skills transfer. IGEES provides appraisals and evaluations competence using internal government human resources.

As an initial step, Ireland took measures to better evaluate the data holdings of departments and offices to increase the statistical and management value of the wide range of administrative data held across various public bodies. The government also invested in performance management systems to better link financial inputs and organisational performance. These data form the foundational basis of internal performance-budgeting information (Government of Ireland, 2011).

Next, the government has tried to streamline and unify existing information to provide a comprehensive and useful monitoring tool to the Government, the parliamentary committees and the public to better assess how well or how poorly each organisation is performing. The framework is also used to hold Ministers and public service managers to account for performance (Government of Ireland, 2011).

The Statement of Strategy is the “anchor” document of the performance framework, showing how each department intends to implement the Government’s high level policy objectives over the medium term. The Statement specifies measurable goals, linked to high-level objectives, the Strategic Programmes (Government of Ireland, 2011).

The Strategic Programmes form the basis on which the annual Estimates are organised, replacing the traditional “subhead”-focused organisation of the Estimates. For each Strategic Programme, all of the financial information and performance information is displayed on a single page, in the new Performance based Estimates.

The government also publishes an Annual Report, which accounts for the specific policy objectives of the suite of departments within a single document. The report provides a comprehensive snapshot of government priorities and the progress toward those priorities. These link to indicators for each initiative, though the collection of indicators is not easily manipulated for analytical purposes.

While these developments are a step in the right direction, Ireland so far lacks a comprehensive national framework for performance, linked to budget amounts. To date, the practical use of performance information in the strategy statements and annual reports is limited. The performance information included in the estimates is perceived by departmental staff as an additional reporting burden on top of Appropriation Accounts and Public Accounts Committee investigations, all occurring at a busy time of year (when the budget has just completed and departments are undertaking end-year accounting balancing and supplementary estimates). The data that is published is voluminous, but is not well-suited to performance budget analysis. The data, so far, is relatively inaccessible and is not user-friendly.

Further, to this point, there is a range of information quality across ministries, as some publish targets online and update on a periodic basis, ranging from monthly to quarterly and annually. Parliamentarians have requested a streamlining of the information to facilitate better oversight.

Also as part of the 2011 Public Service Reform Plan, Ireland launched a public web platform called Ireland Stat. The Ireland Stat initiative aims to present a whole-of-government performance measurement system, measuring success in delivering on the government’s objectives, linking high level goals with inputs, outputs and impacts. The site was introduced as a pilot for selected programmes initially and has since been expanded to cover the whole of government expenditure.

Ireland Stat also establishes baseline data and enables trends to be examined over time and, where possible, comparisons to other EU countries. The development of the Ireland Stat website will support the more efficient delivery of evaluation work as it locates, on a single platform, key information that can otherwise only be sourced from a diverse range of publications. It is a tool intended to help parliament and the general public better engage in a performance-informed budget dialogue.

Both of these tools are available to inform evaluations of policy programmes. These monitoring tools are relatively new and may not yet be at a mature state of development. Their potential value as a performance budgeting information tool cannot yet be fully assessed and even if realised, their main purpose may be to serve as a triage complement to other performance budget tools (spending review and evaluation). There is a positive feedback effect as evaluation functions improve and become more widespread, as evaluation work should help inform the set of metrics for which data is collected by departments and publish on Ireland Stat and in the Estimates.

Box 9. Roles of individuals

The Accounting Officer (AO) position is a newly created role in the Irish system, with one AO per department (typically the department head) responsible for preparing and presenting their department's end of year accounts for audit to the Comptroller and Auditor General. The key feature of the AO role is that he or she may then be called to appear before parliament's Committee of Public Accounts, personally responsible for the accounts, rather than as a representative of the Minister.

An Irish Civil Service Renewal Plan is underway to further structure a robust performance review process for department heads. As part of the process, an annual agreement will be signed between a department head and their relevant Minister outlining performance objectives. A Civil Service Accountability Board will conduct a review of progress toward these objectives on an annual basis.

4. Netherlands

4.1. Fiscal context

The Netherlands, as a member of the European Union and a participant in the European Monetary Union follows an extensive suite of fiscal rules, including but not limited to limits on annual deficit spending and total government debt. Additionally, Dutch governments commonly commit themselves to fiscal rules at the beginning of their terms of office to enable them to conduct a sound fiscal policy.

In recent years, the Netherlands has implemented a series of spending cuts to social security and health, which, combined with revenue measures has reduced the government sector deficit from -5.4% of GDP in 2009 to -2.4% in 2013.⁶

4.2. Budget process

The budget process in the Netherlands is an important guiding feature of the budgetary tools discussed within this report – spending review, evaluation and monitoring.

The budget formulation process in the Netherlands operates in two very distinct phases. The first phase occurs when a new government takes power and it establishes its overall budgetary policy for its term of office. No political party enjoys a majority in the

Dutch Parliament, so a coalition agreement is formed among two or more parties. Budgetary policy is a key focus of the multi-party coalition agreements, with very explicit objectives agreed upon for the conduct of budgetary policy for its four-year term of office. While these agreements have no legal status, they are politically binding commitments and set a four-year expenditure ceiling at an aggregate level (Blöndal and Kristensen, 2002).

The agreements consist of four-year budget targets and establish fixed annual real expenditure ceilings for three major sectors – health, social security and the “core” budget sector comprised of most spending ministries. By accepting these fiscal rules, each government minister commits to the procedures for dealing with windfalls, setbacks and new policy initiatives. Agreements establish, at the earliest possible stage, how these events will be dealt with and what will be given priority in the context of the multiyear fiscal framework. Generally, surpluses in one area can be used to fund existing policies that are experiencing higher costs than projected. New proposals, however, require consent of the entire Cabinet (Blöndal and Kristensen, 2002).

Macroeconomic and fiscal forecasts inform high level fiscal considerations, from which spending allocation decisions are made using suites of policy options. This multi-year framework provides the structure in which the annual budget process unfolds. With a multi-year framework in place, the key role of the Minister and the Ministry of Finance each year is to ensure that the coalition agreement’s budget rules are adhered to. The division of funding to each ministry under the multi-year framework is determined through the annual budget process.

The Ministry of Finance collects policy letters from departments, detailing new spending proposals and changes from previous multi-year forecasts for existing policy. Cabinet collectively determines budget amounts for each department, relying upon analytical input from the Ministry of Finance. The Minister of Finance has the power to object to spending proposals because of the general budgetary situation, or on the grounds that a spending proposal is expected to deliver insufficient “value for money”. Decisions with budgetary consequences cannot be presented to the Cabinet or parliament before the Minister of Finance has given his or her opinion. In case of disagreement between the line department and the Ministry of Finance, the Cabinet decides. Although draft budgets from ministries must formally be approved by the Minister of Finance, the role of the Minister of Finance in this context is comparatively weak (Blöndal and Kristensen, 2002).

The budget is devised in such a way that it enables senior management to delegate or mandate duties, responsibilities and powers to departments and agencies. Line ministers are accountable to parliament for their own policy field and the associated budget. This approach differs from that taken in many countries, where it is the Minister of Finance who defends the budget in parliament (Blöndal and Kristensen, 2002).

4.3. Legislative context

Parliament is not a very active player in the annual budget process. There are no constitutional restrictions on the role of Parliament in the budget process in the Netherlands and a vote on the budget is not automatically considered a vote of confidence in the government. While parliament does in fact amend the government’s budget proposal each year, these amendments are generally minor. This is primarily a function of the Coalition Agreements, which are agreed by the political parties forming the government. By definition, they establish the framework for Parliament’s deliberation of

the budget and its room for fiscal manoeuvre, or lack thereof. Further, the budget is highly disaggregated, which is not conducive to shifts of funding from one policy area to another (Blöndal and Kristensen, 2002).

Performance budgeting considerations have affected the role of parliament in budgeting, as in 2000, the Dutch parliament agreed to reduce line-item budget input controls in favour of enhanced information on outputs and outcomes. Less detailed control on a line-item level was considered an acceptable trade-off at that time for improved non-financial information for programmes. Soon after, an evaluation of the usefulness of that mix of information concluded that in its current form, the budget could not be an effective instrument to promote both greater transparency and greater efficiency. Non-financial performance information was described as too detailed and technically specific, prohibiting accessibility and transparency to parliament and the public. A rationalisation of the volume of performance information continues to this day (Debets, 2007).

Budget authorisation in the Netherlands is supported by a well-developed complement of independent institutions. These institutions – the Netherlands Bureau for Economic Policy Analysis, Statistics Netherlands and the Netherlands Court of Audit provide transparency on estimates, reliable figures on actual expenditures and revenues and for audits of the regularity and efficiency public spending. Their roles are widely accepted with the Dutch system as vital and are a leading practice among OECD countries.

The Court of Audit is foremost in matters of performance and budgeting. The role of the Court is “to audit and improve the regularity, efficiency, effectiveness and integrity with which the State and associated bodies operate”. The Court devotes about one-third of its time to traditional financial compliance audits and two-thirds of its time to value-for-money performance audits. Performance audits ask the questions: Does the government use the right amount of money to achieve the intended results? Are there no other (cheaper) ways to achieve the same results?

4.4. Spending review

Spending review in the Netherlands dates in some form back to the Planning Programming Budgeting System (PPBS) in the 1970s, which introduced programme and performance budgeting in a top-down review format. This system was replaced by the reconsideration procedure in the 1980s, which has evolved into the Netherlands’ current system of interdepartmental policy reviews (de Jong, van Beek and Posthumus, 2013).

Each year, the government commissions spending reviews on several policy areas to be performed by inter-ministerial working groups. Systematically, the annual spending reviews have consistent, common elements:

- Purpose – develop alternatives to existing government policies.
- Methods – using knowledge and experience both from inside and outside ministries are utilised.
- Independence – an independent chair, not responsible for the policy area under examination, and free from political interference and existing government legislation/policy.

The Minister of Finance is responsible for the guidance of spending review exercises, consistent with terms of reference and processes set by the Ministry of Finance (MOF) and agreed on by the Cabinet. Dutch spending reviews are then overseen by a high level civil

servant committee, of which members of all major departments are involved. This committee is responsible to ensure spending reviews are conducted consistent with the terms of reference and processes established by the Minister of Finance and Cabinet (Government of the Netherlands Ministry of Finance, 2010).

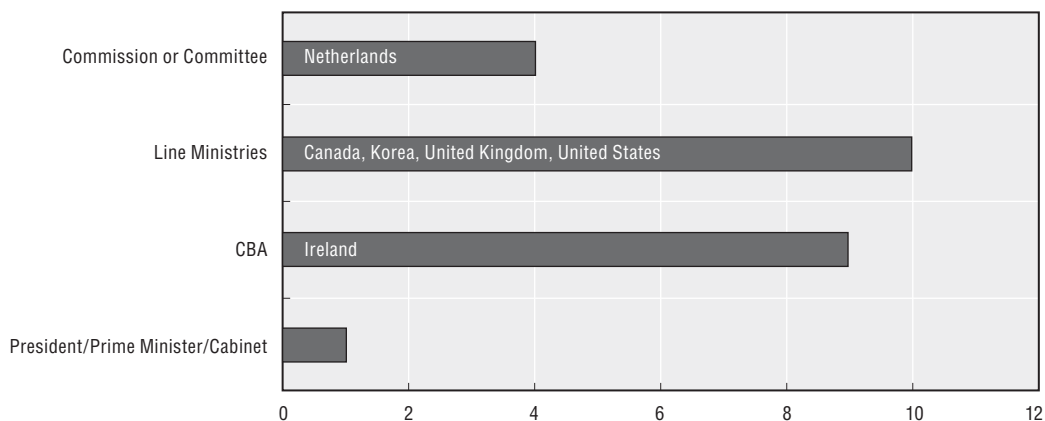
Following a well-established Dutch tradition, the entirety of analytical work is conducted by non-political review task forces. Each task force is led by an independent chairperson, usually a senior department head from another policy portfolio. The expertise of the task force chairperson is a critical factor in the development of quality review options. The remainder of each task force is comprised of external experts and civil servants, usually officials just below department head, from both the spending ministry and the Ministry of Finance. Line ministry representatives are most commonly officials from the financial and economic affairs divisions and those with review-relevant portfolio knowledge. This personnel mix combines strong policy skills with detailed portfolio knowledge (van Nispen, 2015; de Jong, van Beek and Posthumus, 2013).

A unique and important aspect of the task force governance is the non-veto clause. Proposals offered by one member of the task force group cannot be blocked by another, including the chairperson. This principle underpins the core ethos of spending review – an exercise by non-political officials to provide political representatives with a suite of options to achieve policy goals within agreed upon fiscal constraints (Kabel, 2010).

All proposals are published as reports, presented to parliament and made available in detail to the public. The reports include summaries of savings sources, consequences and implementation considerations, but include no commentary on the desirability of each option, as the choice of options is preserved as a political exercise. Thus, the system engenders diversity of options proposals. It also partially diffuses the tensions between reviewers (the task force) and the reviewed (the spending minister) present in other spending review formats (van Nispen, 2015).

In this context, policy options can be broad, ambitious and numerous. Options can propose transformational change to the programme and policies affected. This is unlike spending reviews in other countries, which have refined the government’s role, or pared back existing operations, rather than transform totally.

Figure 7. **Dutch spending review proposals are developed by committee, atypical among OECD countries**



Source: OECD, *International Performance Budgeting Database*.

This process occurs with greater transparency than might be the case for spending review choices in other systems. Options available to decision-makers are comprehensively available for public scrutiny. Spending review proposal choices are taken at the political level. Options are reflected in the platforms of each party during an election, and incorporated into the broader budget negotiation for coalition agreements. Once a coalition government is formed, the CPB publishes an updated medium-term fiscal outlook based on the coalition agreement (and spending review proposals selected for inclusion). In the coalition agreements, separate caps on expenditures are established, including multi-year expenditure projections for each ministry as the basis for sub-caps for each minister. As the coalition agreements encompass all the government's major policy initiatives, it results in more expenditure in certain areas, and less in others. All of these are integrated into the multi-year estimates for the respective area and their respective caps. Transfers are permitted between the sectors, at the discretion of Cabinet. Each minister is politically responsible for his or her own budget and individually presents it to Parliament (Government of the Netherlands Ministry of Finance, 2010; Blöndal and Kristensen, 2002).

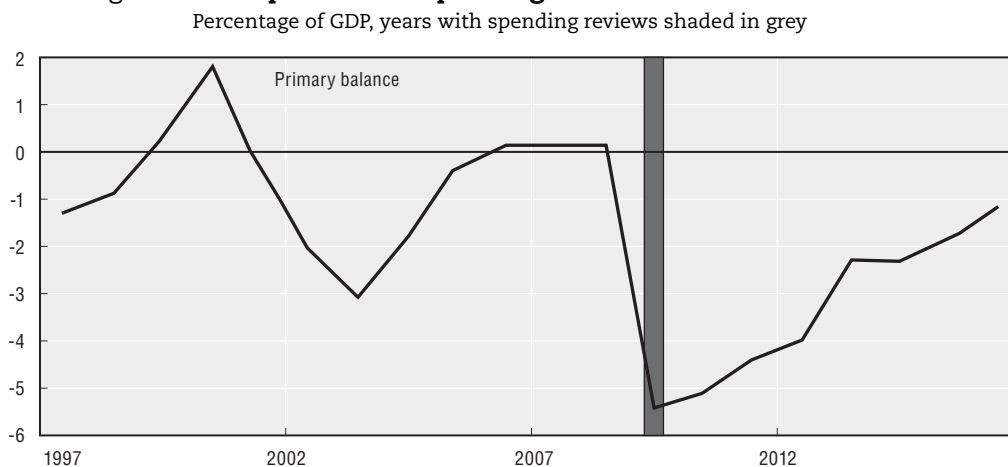
The spending review process is built on lessons learned in the conduct of spending review processes in the Netherlands stretching back over three decades. Nonetheless, the perception has evolved to consider spending review has an essential and necessary aspect of the Dutch budget system. There is now cross-party agreement to undertake a regular four-year spending review cycle in the run-up to each election. In this context, each year a small number of reviews are conducted, accumulating into an inventory of policy options. Then, the formalised and institutionalised structure of spending review in the Netherlands translates into tight linkages between spending review analysis and policy development. The Netherlands has twice conducted comprehensive spending reviews, in 1981 and in 2010 (see box for description). These reviews took place in times of economic downturns and fiscal deficits and were used to generate proposals to decrease the whole of government spending (de Jong, van Beek and Posthumus, 2013).

Spending review is effective in the Netherlands, in part, because it complements institutional strengths and weaknesses in other aspects of the budgeting system. As compared to other countries (particularly Westminster systems), the Dutch MOF is relatively weak. Each Dutch minister is his or her own finance minister and the Minister of Finance and MOF officials commonly do not have the institutional tools to coerce ministries to proactively offer savings or reallocation proposals. This feature is complemented by the strong medium-term expenditure framework (MTEF), underpinned by coalition political commitments.

The Dutch decentralised model, with each Minister responsible for defending his or her own budget, by necessity strengthens the financial analysis requirements within ministries (the ministerial financial and economic affairs directorates). These offices create a bridge between Ministry of Finance budget officials, which generally have a financial focus, and ministerial ones, which often have a policy focus. The financial affairs directorates (led by a chief financial officer) blend the two, and out of necessity can translate the intentions and limitations on each to one another. Increasingly over the past several decades, these blended functions have facilitated human resources skills transfer between the MOF and spending ministries – increasing breadth of perspective at all levels as well as forging more expansive professional relationships.

Finally, the Dutch decentralised model permits a high degree of managerial flexibility. The number of budget articles decreased sharply when a performance based programme budget was introduced in 2001, from 800 to 200. This allowed for greater operational spending discretion and agency flexibility. Ministers are now able to shift money from one budget item to another, within the pre-specified spending limits imposed by parliament in the budget.

Figure 8. Comprehensive Spending Reviews in the Netherlands



Note: General government primary balance: includes both national and subnational governments.

Source: OECD Economic Outlook 98 database.

Box 10. Comprehensive Spending Reviews in the Netherlands

Beginning in 1981, and throughout much of the 1980s, emphasis was placed on cost savings. While proposals that could identify genuine efficiency savings were preferred, savings sourced from reductions of service levels were tolerated. Each review had to produce at least one alternative that would lead to a 20% reduction of expenditure after four years compared to the current estimate of the last out-year. Only alternatives that cost the same or less could be considered.

Throughout the 1990s, as fiscal pressures became less acute, the mandatory 20% savings alternatives were abolished (due to pressure from the line ministries) and reviews became focused on institutional changes. A targeted, rather than comprehensive scope for spending review was most typical. Consequently, the number of topics reviewed declined from thirty in the early 1980s to as low as five per cycle near 2000 (de Jong, van Beek and Posthumus, 2013).

Most recently, in light of the deterioration of the Dutch government's fiscal position following the global financial crisis, the emphasis of spending review was re-established on savings, and whole-of-government comprehensiveness was reinstated as the review scope.

The 2010 Comprehensive Expenditure Review subjected 20 policy areas to a strategic review, each with options capable of delivering at least a 20% reduction in expenditure – over four years – in the programme under review. The policy areas were theme based and expansive – they spanned departments and addressed both spending and tax expenditures. The breadth of the review was large – including most spending lines and tax expenditures.

Box 11. Good practice: Spending review working groups

Independent experts, line ministries and the Ministry of Finance work together to undertake studies on policy options within high level fiscal objectives. The assignments of the working groups vary. In some cases, assignments state that there should be a zero net fiscal effect of the policy options. This permits a shift in focus to developing an optimal suite of options to deliver on policy objectives, rather than potentially divisive negotiations over the amount of total resources provided. This collaborative, rather than combative, incentive structure overcomes information asymmetries and capacity/information misalignments that can plague other spending review mechanisms.

4.5. Evaluation

Evaluation information is an evolving aspect of the Dutch budget system, and like spending review, is a budget tool that has been shaped, in many respects, by the institutional structures of the Dutch budget system.

The Dutch budgeting system is decentralised, so line ministries have an information advantage relative to the Ministry of Finance on the effectiveness and efficiency of current policies, and on options for savings or more value for money. As in most systems, line ministries have a more detailed knowledge regarding their policies than the centre of government and there are few incentives for line ministries to proactively self-report savings options to the MOF. As part of the Dutch model, the line ministries also possess advantages on the timing and scope of evaluations.

To promote disclosure of effectiveness and efficiency information outside of each ministry, the Netherlands has established a system of involuntary self-assessment. In the 1990s, the *Government Account Act* was changed to give the Court of Audit a role regarding the efficiency of programmes. Under these amendments, the MOF obliges line ministries to evaluate policy areas once every 4-7 years. Ministries are further obliged to inform the Court of Audit about evaluation analysis and conclusions (Netherlands Court of Audit, 2012).

The purpose of this reform was to provide better information on relevance, effectiveness, efficiency and cost of government programmes to coalition governments at the time of budget formulation. The legislation achieves comprehensive evaluation coverage of Dutch government spending. Further regulation, the Regulation on Periodic Evaluation, ensures minimum standards and comparability of input information, methods and the role of independent experts (Schoch and den Broeder, 2013).

However, aspects of the decentralised system limit the budget-relevance of evaluation information.

Despite central rules concerning evaluation, under the decentralised evaluation model, there is a great deal of heterogeneity of policy review quality and emphasis. This may arise due to the objectives of evaluation differing depending on the perspective of the institution (Schoch and den Broeder, 2013).

Line ministers are accountable to parliament for the performance of their programmes and how well the ministry budget is spent. Thus, line ministries generally use evaluations to improve the management and efficiency of their programmes for better and higher-quality service delivery. Ministries may fear that divulging certain types of information may result in

consequences, such as budget reductions. As such, the reviews are susceptible to selective assessment – dampening self-critiques while emphasising strengths, or strategic applications to support desired policy proposals (Netherlands Court of Audit, 2012).

While the Ministry of Finance plays the co-ordinating role, responsible for setting the design and basic rules for evaluation, it is otherwise removed from the evaluation process in practice.⁷ The MOF does not have its own centrally-directed evaluation instruments, so the analytical work, timing and emphasis of evaluation is largely decentralised in the Dutch system, subject to the discretion of each Minister. Spending ministries have little incentive to share with MOF information on the effectiveness and efficiency spending, beyond what is prescribed in basic guidelines. This creates a difficult dynamic for the Ministry of Finance; chiefly concerned with ensuring line ministry spending is in line with the top-down fiscal objectives of the government (Netherlands Court of Audit, 2012; Schoch, 2013; Debets, 2007).

Within the Dutch system, the practical consequences are varied for evaluations not consistent with MOF guidance. The Minister of Finance can object to spending proposals on the basis of inadequate value for money, but disagreements are subject to Cabinet negotiation.

The misalignment of departments' incentive to disclose budget-relevant information to the MoF limits the usefulness of evaluation information in the Dutch budget system. The limited internal recourse for weak evaluation products further limits the potential for evaluation as a budget decision input. To illustrate these limitations, a series of recent audits by the Dutch Court of Audit determined that only half of policy reviews provide information on the effectiveness and efficiency of spending (Netherlands Court of Audit, 2012).

Another critical aspect of the Dutch system is that parliament is not strongly involved in any aspects of evaluation – design, scope or examining conclusions. While legislation states that policy must be reviewed periodically, under certain guiding rules, the flexibility of these directives weaken the usefulness of evaluation information – for the MoF and parliament. In fact, the Court of Audit finds that the legislature is not clearly informed of whether the ministers evaluate the effectiveness of their policies or not, and receives virtually no information on the reasons for not evaluating policy effectiveness. Yet parliament remains largely unconcerned with evaluation products (Netherlands Court of Audit, 2012).

In response to the Court of Audit findings, the government has agreed to undertake policy scans of the evaluations carried out, to explain what parts of policy have not been evaluated as to their effectiveness and why not. Further, the government has been producing a mandatory multi-year table in each ministry's budget since 2012 to indicate when each programme will be reviewed. Having this information presented more prominently in the budget was expected to help encourage parliament's involvement in evaluation planning and review. So far members of parliament ask more questions on evaluation, but overall the topic still receives very modest attention in parliament (Schoch and den Broeder, 2013).

The evaluation system can be a tool that both: a) provides information for spending ministries on how to improve the performance of their policies; and b) supports the needs of the political and budget decision makers when making resource allocation choices, for example in the Netherlands, when Coalition Agreements are being crafted after an election. A limited central role in evaluation in the Netherlands is conducive to the former, and less so for the latter.

The limited role of the MOF in evaluation stands in stark contrast to its role in spending review, where the MOF directly influences the development of policy options, supported by explicit savings targets. As such, the balance of influence between the centre and line ministries in evaluation and spending review may have complementary features. A less centrally-controlled evaluation period may permit departments to develop higher quality policy-oriented reviews, with scope for honest self-reflection and without fear of immediate budget consequence. Moreover the periodic spending review period may be the proper structure to then ask for well-thought savings options, such as evaluation.

Box 12. **Ex ante evaluation in the Netherlands**

In addition to the specific rules enshrined in legislation for *ex post* evaluation, the Dutch system also requires *ex ante* evaluation, albeit on a less comprehensive scope. *Ex ante* evaluations are required by cabinet to accompany infrastructure projects and “projects of national importance”. There is no legislation or regulation concerning *ex ante* evaluation procedures or methods. Given the project types they are required for, these reviews are usually conducted by the Ministry of Infrastructure and the Environment. They provide cost-benefit estimates of the net present social cost/benefit of a proposed government intervention. These analyses also provide options analysis of alternative project designs.

4.6. Monitoring

Legislation was introduced in 2002 to provide rules for the collection and presentation of performance information and evaluations. The main object of this change was to guarantee the evaluation function within the central government, but also to guarantee that the policy information would be collected for the budget and that the annual report meets the applicable quality requirements. The information resulting from these rules has formed the foundation of the Netherlands’ performance monitoring information thereafter (de Jong, van Beek and Posthumus, 2013).

At that time, the Netherlands did away with line-item input control of the budget in exchange for more information on outputs and outcomes. Parliament no longer controlled the allocation of funds between types of expenditures (personnel, capital), but rather allocated funds to policy measures, measured by indicators and targets. The result was a proliferation in the quantity of performance information in the budget system (de Jong, van Beek and Posthumus, 2013).

Soon after these reforms, in 2004, the performance budgeting system was examined and it was considered to be no longer feasible to use the budget as an instrument to achieve both greater transparency and greater efficiency. Performance information included in the budget was often too elaborate, detailed and technically specific, and stood in the way of the aim of improving accessibility and transparency of budget documents. Simply put, aspects of performance-based budgeting had created an overload of policy information, without a focused direction (de Jong, van Beek and Posthumus, 2013).

Abstract objectives made it difficult to determine whether they had been achieved and officials and administrators hedged their bets and gave veiled answers. At times, performance indicators were selected less to present a measure of progress, but rather as an indicator to illustrate social problems in a broader perspective, or to help make the case for a particular government intervention (Debets, 2007).

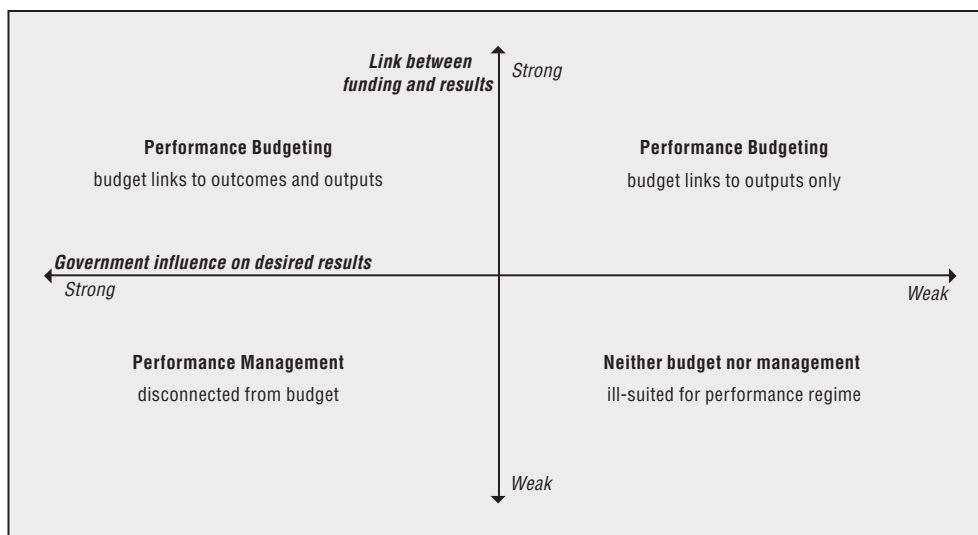
As a consequence, the performance information requirements imposed administrative costs with limited budget planning benefit. Subsequent improvements were made to emphasise budget transparency and to strengthen parliamentary authorisation and oversight. Policy evaluation, rather than monitoring information would provide insight into effectiveness and efficiency. However, efforts to engage parliamentary attention have fallen short. Performance measurement and reporting information is not frequently used, performance-informed budget debate is usually low and the impact in terms of votes is small (de Jong, van Beek and Posthumus, 2013).

The system has continued to evolve in this context, to better include politically-relevant measures. This reform was emulated, to some degree, based on of the priority-driven approach taken by the United Kingdom’s Prime Minister’s Delivery Unit in the late 1990s and early 2000s. Evaluations of this change revealed that political debate on performance accountability did indeed shift more towards political priorities, and parliament’s attention to policy results did increase, albeit relatively modestly.

Weaknesses in performance monitoring information, like evaluation, were exposed in the 2009-10 comprehensive spending reviews. Budget documents contained too little relevant financial information to input into the performance budget process. As a result of all these continuous problems, an agreement was reached in 2011 to make some significant changes in the framework of the budget.

More recently, the Dutch government has re-focused its intent in providing performance information consistent with some key criteria. The intent of these criteria are to scale back the lofty ambitions that have plagued performance budgeting reforms in the Netherlands and elsewhere, by removing the use of performance information in areas where the causality between money and results is too weak.

Figure 9. **The Netherlands’ Accountable Budgeting Conceptual Framework**



Source: Adapted from de Jong (2015).

In the new Accountable Budgeting framework, quantitative performance targets will only be included in the budget when a minister can credibly be held accountable for the results afterwards (de Jong, van Beek and Posthumus, 2013). This is the case when:

- A clear outcome for society can be identified regarding the policy field (e.g. this can be difficult in the case of defence or diplomacy).
- The central government plays a dominant role in achieving this outcome (e.g. if a large role is played by international parties or the private sector, this may not be the case).
- The central government has an active role within this policy field (e.g. if it only provides unmarked funding or funds entitlements, this may not be the case).

These reforms are doing away with certain prior strategies in performance budgeting. This includes moving away from a prescriptive, one-size-fits-all template, recognising that not all performance information that is considered relevant to all stakeholders or budget documents. The reforms are an acknowledgement that the mere supply of performance information is insufficient to support performance informed budgetary debate.

The rationale for these changes was that performance information in budgets had become compliance focused and failed to provide policy efficiency and effectiveness insights. Rather, these insights would be best gained from in-depth *ex post* evaluation, which is now emphasised in budget documents.

Box 13. Good practice: Sourcing of performance information

To ensure reliability, access and auditability of performance data, ministries are required to state the source of performance data in budget documents.

5. United Kingdom

5.1. Fiscal context

The UK government sector has recently been undergoing fiscal consolidation. In 2010, immediately following the 2009 financial crisis, the UK GDP had declined by nearly 5%. The general government financial balance in the UK stood at -9.7% of GDP.⁸

In order to reduce public debt levels, the UK government embarked on a fiscal consolidation plan that delivered around 80% of consolidation through expenditure cuts (health, schools and overseas aid were excluded) and the remainder through tax measures. By 2014, the general government sector fiscal balance had improved to -5.7% of GDP. The recent budget includes revenue measures to supplement cost containment initiatives to improve the budget balance.

The primary tool to achieve spending consolidation was a comprehensive spending review in 2010. Additional measures included the creation of enhanced financial and management accountabilities, reformed evaluation and increased monitoring. The government also decentralised many performance budgeting functions, providing greater managerial discretion to departmental leadership. To further move to a surplus position, the UK government recently conducted a spending review in November 2015. The review was in addition to other changes to the tax regime.

5.2. Legislative context

The UK government is strongly centralised with about 90% of the revenues collected by central government and social security funds, while more than 70% of the expenditures are also incurred by these two areas.⁹ The UK government is currently devolving further powers, so these figures may soon decline in a more decentralised model. The budget covers all of central government expenditure.

There are clear procedures governing Parliamentary oversight of the budget. The Westminster model means that in practice spending decisions are largely passed with little amendment (Posner and Park, 2007). There are two separate parliamentary processes for budget aggregates: one for revenues and another for expenditures. The tax measures announced in the Budget are traditionally presented to Parliament in a single, comprehensive Finance Bill, which may be amended by majority vote in the House of Commons. The bill is also debated in the House of Lords. The government's expenditure "Estimates" are presented to parliament after the start of the financial year and have historically been passed without significant amendment. The House of Commons can suggest a reduction of expenditure or vote against the motion.

The Government operates fiscal policy within a binding medium-term budget framework, determined by the Treasury. Tradition has broadly provided departments with budgeting autonomy thereafter, insofar as the "Consolidated budgeting guidance" is adhered to. Under this model, the Treasury allocates departmental budgets within which it is then up to departments to operate. Departmental accounting officers are responsible for their department's business decisions (Allen, 2013).

There is an inherent tension in the UK system of government, between individual ministerial (and permanent secretary) accountability lines and the co-ordination across the whole of government.

Performance reforms in 2011 have sought to decentralise performance budgeting. Planned reforms seek to further align efficiency, spending round and activity planning, also creating linkages to spending review in Single Departmental Plans (Allen, 2013).

5.3. Spending review

Comprehensive spending reviews have been used periodically in the UK, first in 1997 and again in 2010, 2013 and the current fiscal year. Other reviews were conducted spending review occurred every two years from 1998 to 2004, and again in 2007 (see Box 14). The comprehensive reviews examined whole-of-government spending, root and branch, with a common purpose of achieving strategic and efficiency savings.¹⁰ Each review was conducted in the context of constrained public finances, though the constraint was more acute in recent periods than in past ones.

The comprehensive spending review 1997 (CSR97) was initiated as part of a larger public finance reform package. The purpose of the spending review was to support the biennial revision of the expenditure framework and ministerial spending ceilings.

The CSR97 introduced three concepts that persisted in the UK budget system for over a decade:

- multi-annual "departmental expenditure limits" (DEL)
- annually managed expenditure (AME)
- public service agreements (PSA).

Box 14. Cyclical spending review in the United Kingdom

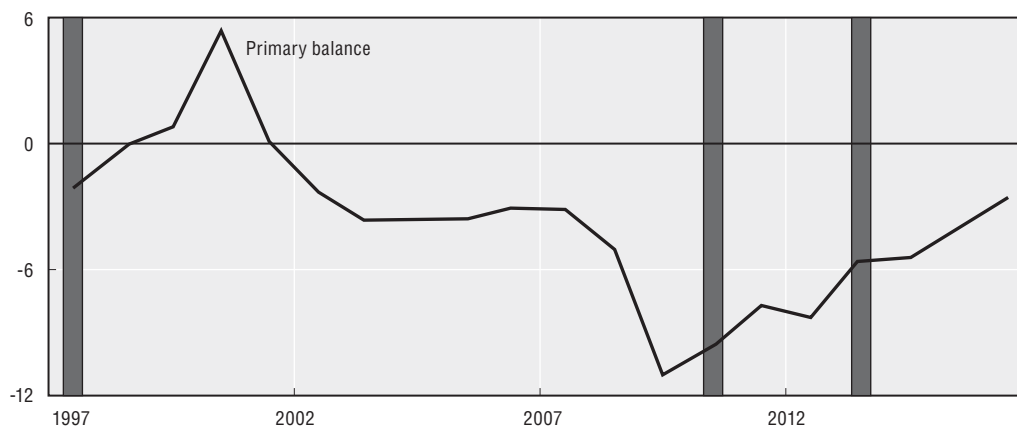
The UK's budget system has recently featured a regularised spending review cycle, first incorporated in the budget process in 1998. Reviews of this sort differed somewhat from the comprehensive spending reviews. The reviews focused on incremental spending changes to ensure efficient policy and programme design, rather than item by item examination of existing programmes.

The spending review occurred every two years from 1998 to 2004, and again in 2007. These spending reviews were used to set the medium-term budget framework and establish top-down spending ceilings for departments on both current and capital spending. Departments conducted the analytical work on reviews, and the overall results were co-ordinated by the Treasury.

A strength of this approach is the “institutionalisation” of spending review considerations and the gradual build-up of institutional knowledge and capacity over time.

Figure 10. **Comprehensive Spending Reviews in the United Kingdom**

Percentage of GDP, years with spending review shaded in grey



Source: OECD Economic Outlook 98 database.

CSR97 examined both new spending proposals and the existing spending base across 30 ministries to set forward-looking expenditure ceilings on departmental spending – departmental expenditure limits (DEL). While both new and existing spending was considered under these limits, social security and debt interest charges were excluded from review. These spending lines were classified as annually managed expenditure (AME) and spending in these areas was allowed to fluctuate. In total, around 60% of total spending was subject to fixed multi-annual DEL, split between resource and capital budgets (HM Treasury, 1998).

Within these limits, spending reviews were also intended to reallocate money to priorities, promote cross-departmental collaboration to improve services and improve spending efficiency and effectiveness.

To this end, the three year DELs were accompanied by a set of multi-year outcome-based performance objectives, set out in the performance service agreements (PSAs) (HM Treasury, 1998). In theory, departments were to manage and distribute their top-down budgets according to internally-driven Value-for-Money reviews.

The PSAs formalised arrangements between departments and the Treasury, specifying the fixed DEL spending total and setting out high-level objectives and performance targets for relevant policy or programme areas. The PSAs included indicators on how these overall totals would be spent, with outcome, output and efficiency targets that departments agreed to meet. The PSAs were submitted to Parliament alongside the CSR medium-term spending plans. They were political commitments, so they had no legal standing and were not authorised by parliament (Scheer et al., 2005; Noman, 2008).

At the outset, the performance information quality of the PSAs was inconsistent and not well-integrated in the UK budget process – expenditure ceilings were set prior to the consideration of PSA information. The performance targets in PSAs were numerous (peaking at 800, government-wide) and imposed considerable reporting burden on departments, with limited practical value-added to internal resource allocation decisions (Noman, 2008; Freeguard, et al., 2015).

However, over their decade-long evolution, the PSAs became increasingly well-integrated into the budget process through a triennial spending review process, in which every second year, a rolling expenditure ceiling was established for the upcoming three fiscal years (see Box 14). The number of PSA performance targets was reduced (to 110 by 2004) and the quality of information was refined. Central leadership (the Prime Minister's Delivery Unit) and political attention focused financial resources and the energy of government on a discrete number of measurable objectives, fully reflected in the PSAs. The political resonance of the PSA measures was strong, and in turn, the quality and use of PSAs improved. Later, the PSAs evolved to include risk ratings and inter programme and inter-departmental league table rankings (Noman, 2008; Freeguard et al., 2015).

By 2007, the UK government considered the PSA structure to lack sufficient government-wide focus, and revised the silo-structured PSAs to become more cross-cutting. The renewed PSA structure instead emphasised collective government targets. This change reduced the clarity in accountability between the Treasury and departments, in an effort to improve the government's accountability to the public.

Parliament had no role in setting PSA targets, and the performance information contained within the PSAs was not commonly used in allocation debate within parliament. The UK parliament has not historically revised expenditure estimates, so performance information had limited to no effect on budget allocations at the parliamentary stage. However, the presentation of indicators served as an accountability mechanism for parliament to scrutinise executive allocation decisions.

A comprehensive Spending Review (SR10) was conducted again in 2010, accompanied by broad reforms of UK government operations. The reforms included greater decentralisation of responsibilities for performance and budget to line ministries.

These reforms brought with them new practices and mechanisms for performance budgeting. Most notably, the PSAs were replaced with departmental business plans (BPs). Relative to the PSAs, the BPs decentralised performance lines of external accountability in line with traditional Westminster ministerial accountability structures. BPs emphasised the strategic direction of each department toward the government's policy priorities and scaled back from outcome indicators to more narrowly focused action targets. They included high level financial information and input and impact indicators of performance toward those priorities (Stephen et al., 2011).

The PSA framework had set an average of 6-7 targets per department, further comprised of other targets and measurement frameworks within departments. The BPs consolidated the number of indicators and keeping with the decentralisation aspects of budget reforms, provided department heads the authority to select targets and manage operations to those targets. Furthermore, the defined incentive structure of limited PSA targets was perceived by some as having negative effects on the holistic focus of ministries, resulting in more “goal-chasing” behaviour than was desired (Noman, 2008; Pancharia and Thomas, 2014).

While decentralisation enhanced individual accountability, the BPs weakened some of the comprehensiveness and consistency features of PSAs. BPs were initiated from the centre of government, but the responsibility for delivery was entrusted to departments. Rather than tightly controlled criteria from the centre of government, the quality of performance information included in BPs was at the discretion of the department head, as they were ultimately accountable for the data within. Consequently, BP information quality was more heterogeneous and not consistently integrated into the internal financial controls and performance information systems within departments (Stephen et al., 2011).

At their core, BPs promoted external accountability for department heads and were less used than the PSAs for planning and management. Departments using parallel tools to manage and budget internally might not apply the same level of attention and scrutiny to BP information. The evolution from the centralised PSA regime of performance to the decentralised business plans highlighted the trade-offs between efforts to enhance performance-informed budgeting and those to increase performance and budget accountability for line ministries. Consolidating consistent performance information at the centre, with the objective of using the information for allocative choices weakened vertical accountabilities. Whereas decentralising the production and assessment of performance information to enhance ministerial and senior civil service accountability to parliament and the public rendered the performance information produced more difficult to use in comparative allocation decision-making (Manzoni, 2015; Stephen et al., 2011).

Other changes implemented in 2010 were the expansion of review scope to cover AME in addition to DELs. While this worthwhile expansion for review increased the share of spending subject to review, the overall funding envelope for selected policies remained either ring-fenced, or received additional funding to preserve growth: schools, international aid, health, transport, low-carbon economy. The planning horizon aspect of spending review, introduced in 1998 was extended from three to four years (HM Treasury, 2010).

In the 2015 SR, the UK examined all areas of public expenditure, including departmental budgets and Annually Managed Expenditure (AME). Spending segments of health, defence and security, schools and Official Development Assistance remained partially protected, but were subject to efficiencies considerations and reforms (HM Treasury, 2015c).

Box 15. Good practice: Broadening the review base

The UK has recently widened the review scope of reforms to include previously ring-fenced spending lines such as social security benefits. This practice permits a comprehensive assessment of whole-of-government spending and reduces fiscal and operational pressure on non-exempt programmes.

The 2010 reforms included the creation of new roles in the UK budgeting system, including the creation of the Efficiency and Reform Group (ERG) and the newly appointed Chief Operating Officer (COO) for the whole-of-government. The ERG and the COO were based in the Cabinet Office.

In 2014, a new position within the Treasury was created, the Director-General for Public Spending and Finance (DGPSF), a role akin to a private sector chief financial officer. Later, in place of the COO role, a chief executive officer (CEO) for the whole of government was appointed, responsible for central leadership of the efficiency programme. These reforms increased the formal individual accountability channels for performance. The centralised role of the DGPSF has helped to enhance the quality of the recent UK spending reviews, improving the Treasury's capacity to institute cross-government reforms and methods. Secondly, the DGPSF is better able to build relationships necessary for spending review, well in advance of the review itself. Negotiation is unavoidable in the UK design of spending review, so the creation of personal engagement between the DGPSF and directors general for finance in ministries has permitted earlier engagement in SR proposal development and has opened better channels for collaboration between the Treasury and line ministries at the working level (HM Treasury, 2015a and 2015b).

The UK government is again reforming its budget planning process and reports. Single Departmental Plans (SDP) replace the BPs, in an effort to establish clear priorities, link priorities to spending and report against a clear set of metrics. The SDPs are aligned with the Spending Review process, tightening the linkage between financial inputs with outputs. The SDPs are an attempt to preserve the links BPs made between the government's operations and political manifesto commitments, while tightening the links between policy objectives and financial resources committed to achieving those objectives. The objectives in SDPs will be mainly at a high-level outcomes basis, rather than on outputs (Manzoni, 2015).

The design of the SDPs draws upon corporate planning and reporting documents used in the private sector. The design, guidelines and co-ordination of the SDP implementation is being directed by the Cabinet Office and HM Treasury.

Of the country case studies, the UK was the sole country in a 2011 OECD Survey to identify recent austerity measures as rendering performance information as less influential and citing that budget allocation choices had a weaker link to performance. These links are being strengthened as part of current SDP reforms (OECD, 2011; Manzoni, 2015).

5.4. Evaluation

In many ways, the United Kingdom is an experienced leader in structured evaluation. The system came into its present form beginning in 1997, when then head of the civil service publicly stated that evaluation rarely occurred within the system at that point in time, bringing about a new emphasis on *ex post* evaluation.

The stated central purpose of evaluation is to inform policy decisions and the current evaluation regime in the UK is guided by:

- *Managing Public Money*: a handbook that establishes the main principles for dealing with resources used by public sector organisations in the UK. It explains the importance of evaluating past initiatives, and emphasises that Parliament expects accounting officers to take personal responsibility for “ensuring that the organisation’s procurement, projects and processes are systematically evaluated and assessed”.

Box 16. Good practice: The role of the NAO in evaluating the quality of performance targets and data

The UK National Audit Office (NAO) has a statutory role auditing the accounts of Government departments, but this role has, in practice also included evaluating the efficiency and effectiveness of public spending.

With the introduction of the Public Service Agreements (PSAs) in 2002, the NAO evaluated the quality of PSA targets and data used to measure progress toward targets. This aspect of the NAO's role was integrated in a phased approach, beginning with trial departments, and within five years covering all major government departments.

Importantly, NAO analysis not only enhances the technical quality of targets, but increases credibility in the performance system by asserting impartiality in target selection and use. As a secondary benefit, NAO staff can broaden their skills and perspectives beyond audit to consider policy issues and challenges.

- *The Green Book*: central government best practice guidance issued by HM Treasury on how to perform appraisals before significant funds are committed – and how past and present activities should be evaluated. Green Book guidance applies to all policies, programmes and projects. All new policies, programmes and projects should be subject to comprehensive but proportionate assessment. It emphasises the economic principles that should be applied to both appraisal and evaluation.
- *The Magenta Book*: the user's guide to evaluation. It provides in-depth guidance on how evaluation should be designed and undertaken. It is the recommended central government guidance on evaluation that sets out best practice for departments to follow.

The Green and Magenta books together provide detailed guidelines, for policy makers and analysts, on how policies and projects should be assessed and reviewed. However, appraisal and evaluation are not explicitly required, nor are the guidelines set out in the Green and Magenta books.

While the Treasury's within-government guidance requires departments to secure value for money, there is no standard reporting procedure. Treasury supports department-led evaluation with review teams specialising in efficiencies and strategic savings responsible for cost analysis support and guiding inter-departmental collaboration to improve whole-system value for money. Current efforts at the Treasury have focused on inter-departmental policy areas or thematic categories, identified as having efficiency potential.

Evaluations are produced within departments by in-house analysts. Sometimes evaluation staff is in a segmented distinct unit, but is commonly part of existing financial management functions. Some evaluation work is tendered out to external researchers but independent evaluators outside of the government have described that administrative data can be difficult to use to evaluate the impact of government interventions. The government is currently making efforts to provide easier access to a wider range of data held by departments, facilitating data-sharing with external research bodies.

Departments' top level budget amounts are pre-specified by HM Treasury through the multi-year budget framework. Past value-for-money reviews have lacked appropriate baselines and commonly failed to link savings amounts with performance changes (United Kingdom Comptroller and Auditor General, 2010).

Box 17. Roles in the United Kingdom's performance budgeting system

Central roles

The Cabinet Office sits at the centre of government. Its primary role is to act alongside the Treasury, as the strategic centre of Government. In tandem, the Cabinet Office and Treasury provide leadership to and oversight of the rest of government, co-ordinating policy and delivery, supporting capability-building across government. The Treasury has spending teams for each department which scrutinise budget and spending proposals, including ensuring departmental business cases represent good value for money and are affordable as part of the approval process. The spending review is a Treasury-led process intended to strategically reallocate budgetary resources across all government departments and achieve overall savings targets, consistent with the government's priorities.

The Chief Executive of the Civil Service leads the efficiency programme, working with permanent secretaries across government to put in place reforms including:

- getting a better deal for taxpayers from commercial decisions and supplier management
- the digital transformation of public services and the way government works
- ensuring personnel have the right skills throughout the civil service
- making better use of the government estate (property)
- managing major projects better to deliver on time and on budget
- greater use of shared services across departments.

The Chief Executive sits on the Civil Service Board and attends Cabinet meetings. The Chief Executive supports the Cabinet Secretary and Head of the Civil Service in performance-managing the other permanent secretaries.

The Director-General of Public Spending and Finance (DGPSF) manages overall public spending, and supports delivery of the government's fiscal objectives and improvements in value for money by raising standards of financial management across government.

The DGPSF is responsible for:

- direct management of overall public spending and Spending Review process
- "dotted-line" management of the directors and directors-general finance of 17 main departments
- resolving qualifications of the accounts through discussions with departments, the National Audit Office and the Financial Reporting Advisory Board
- overseeing cross-government financial reporting
- developing and introducing a mandatory set of standards for management accounting
- developing the framework of delegated authorities within which departments can take greater responsibility for some areas of expenditure that are currently controlled by the centre
- overseeing development of the government financial reporting systems, ensuring the information is available to those who need it
- providing leadership to the finance community, by building partnerships and professional skills, championing learning and development, and acting as a senior advisor
- ensuring that the finance community has the skills it needs to carry out its responsibilities
- ensuring effective talent management (including career and succession planning) of the finance community, by developing and retaining skilled staff in order to enhance organisational and professional capability, as well as expanding the pool of senior finance professionals across government able to operate effectively at Board level
- chair the Finance Leadership Group.

Box 17. Roles in the United Kingdom's performance budgeting system (cont.)

The management relationship between the DGPSF and line ministry directors and directors-general finance, is based on:

- effectiveness of financial management in their departments, including a discussion on performance of departmental finance function against a number of agreed indicators; and discussions (with departments, the NAO and Financial Reporting Advisory Board) to resolve any qualifications of accounts
- compliance with finance policies and procedures set by the director-general for spending and finance
- co-operation on cross-cutting finance matters, including considering cross departmental efficiency savings
- championing the importance of financial management in their organisations
- building the capability of the finance function both departmentally and corporately
- talent management of the finance function in their department.

Committee leadership

The Ministerial Committee on Public Expenditure is chaired by the Chancellor of the Exchequer and considers issues relating to public expenditure. A sub-committee on Public Expenditure (Efficiency) is responsible for issues relating to efficiency, asset sales and public sector pay and pensions.

Departmental leadership

UK spending reviews have traditionally set top-down limits on departmental expenditure, allowing for heads of departments to manage allocation decisions within predetermined limits. The UK system emphasises the role of departmental Ministers as being responsible for the design and implementation of policies in their areas, and Parliament will hold them responsible for their effectiveness. The Civil Service Reform Plan explains that accounting officers “must be accountable for the quality of the policy advice in their department”. Line ministries then produce departmental plans that set out the reforms necessary to comply with departmental allocations.

The links between evaluations and budgeting could be improved. During the SR10 process, Treasury acknowledged that, in the timescales, it proved difficult to get much of the information it would have liked from departments. As a result, the Treasury's spending teams chased missing data and requested further information for analytical gaps not supported by the existing evaluation infrastructure (United Kingdom Comptroller and Auditor General, 2013).

In 2013, the National Audit Office (NAO) reviewed evaluation practices in the UK government, in general. The NAO found that the evaluation system was not well set up to promote value-for-money and that not all departments follow government evaluation requirements. There were few consequences for departmental leadership for failing to effectively evaluate spending. Consequently, evaluations commonly included “unhelpful” conclusions about policies' effectiveness, failed to synthesise findings and delivered information with significant time delays. Other commonly cited weaknesses of the UK evaluation system included the absence of consistent demand for evaluation from ministers and senior civil servants, high rates of ministerial and official turnover and technical challenges regarding data and skills capacity (United Kingdom Comptroller and Auditor General, 2014).

Evaluation capacity within departments may be symptomatic of the difficulties in generating value-for-money proposals in general. The Gershon Efficiency Review, a task team of external experts in evaluation, was unable to demonstrate efficiency dividends on roughly three-quarters of the efficiency savings recommended. These measures represented, in essence budget cuts rather than true efficiency savings on operations improvements (United Kingdom Comptroller and Auditor General, 2010).

Currently, HM Treasury is leading a programme of work to better understand the efficiency and effectiveness of public spending. HM Treasury provides financial and analytical expertise through a new Costing Unit, which runs short cost reviews to get a better understanding of what is spent (inputs), on what (outputs), and to what end (outcomes), taking a whole-system approach to understanding (and improving) value whole-of-government spending areas.

The government's professional association for economists (the Government Economic Service) has also been bringing together department analysts to develop the evidence base on the trends and drivers of efficiency in the public sector in order to inform spending and implementation decisions.

In 2013, the government set up a network of "What Works" centres, which are responsible for synthesising evaluation evidence on the effectiveness of policy in a range of fields. The centres generate evidence using outreach strategies such as online toolkits and trials. The network is made up of 7 independent What Works Centres and 2 affiliate members. Together these centres cover policy areas which receive public spending of more than GBP 200 billion. The government drew upon this expertise for the SR15 (Gold, 2015).

In 2015, the government also established a Trials Advisory Panel, made up of government and academic experts. The Panel provides and challenges advice to departments interested in using randomised control trials and other quasi-experimental methods to evaluation public programmes. The express aim of this panel is to improve the quality of evaluation of government policies by improving access to expert knowledge.

An additional central response to weaknesses in the evaluation function across government was the establishment of the Efficiency and Reform Group (ERG) in the Cabinet Office. The ERG identifies efficiency savings by collating data from departments and third parties.

In its first years of operation, the ERG most commonly identified one-off savings and cost avoidance. While these tactical achievements are not to be undersold, they do not necessarily represent sustainable efficiencies of doing things better. As such, repeated savings of this nature is increasingly hard to replicate in sequence. Hence, Cabinet Office has moved away from this model to a more functional approach (United Kingdom Comptroller and Auditor General, 2013).

That being said, more recent NAO retrospectives examined the announced savings proposed by the ERG in 2013-14. In that review, the ERG claimed GBP 1.1 billion in efficiency savings for operational, capital and IT projects and asset sales. In the remaining five savings lines, the methods are less strong but significant savings are still likely to have been achieved (United Kingdom Comptroller and Auditor General, 2013).

The ERG improved upon past efficiencies identification through standardising calculation approaches and improving evidence gathering. Nine of 14 efficiency savings lines recently proposed by the ERG demonstrated strong value-for-money methods and evidence. The strongest evidence came from operational data, where data production and

review was embedded into ERG's way of working. The ERG has also improved how it discloses the savings figures to the public, issuing the technical note with the savings announcement (United Kingdom Comptroller and Auditor General, 2014).

The ERG also published an internal audit to provide independent assurance that the processes used to estimate efficiencies and reforms savings claims are robust and based on evidence. The audit was completed by the Cabinet Office's internal audit service, using human resources from the Government Internal Audit Agency. The report provided reasonableness ratings for each of the specific savings claims produced in the spending review. The GIAA rated the evidence and assertions of savings as: reasonable, moderate, limited or nil (Minister of the Cabinet Office, 2014).

The documenting of "efficiency" options is good practice. Too often, current spending cuts are classified as efficiency measures when demonstrable internal rates of return on investment or operational changes cannot be demonstrated. A more transparent accounting of efficiency reforms is a positive evolution in the UK performance system.

Another important evaluation function in the United Kingdom is filled by the National Audit Office. One of the core roles of the NAO is examining whether public expenditure delivers value for money across the public services, chiefly through value-for-money evaluations. This work primarily supports the parliamentary Public Accounts Committee, but also factors into the executive branch's budget deliberations, albeit less formally.

The NAO self-assesses its financial impact, identifying savings achieved as a direct result of its work, attributing GBP 1.15 billion in public savings in 2014-15 from current and past NAO work (United Kingdom Comptroller and Auditor General, 2015).

5.5. Monitoring

The UK has in place a comprehensive system of internal and externally-oriented performance monitoring. For the period 2010 to 2015, the UK government revised its use and presentation of management information. It replaced Public Service Agreements with Business Plans, and introduced high-frequency Quarterly Data Summaries (QDS) to improve the timeliness of performance information. The presentation of monitoring information has again been revised in 2015-16.

Business Plans (BP) were used to set out the department's priorities, structural reform plans, expenditure plans and its contribution to transparency. They were required for all main departments. Each department's Business Plan also set out the definitions for its input and impact indicators. Departments had to report performance against the Business Plan priorities, structural reform plans and indicators (UK Cabinet Office, 2015).

A weakness of the decentralised BP approach was the discontinuity between departments and void of management on cross-cutting issues. While departmental accountability was clearer, from a whole-of-government perspective, the BP approach risked a lack of clarity of presentation, uniformity and comprehensiveness. Diminished central guidance also increased data quality assurance risks (United Kingdom Comptroller and Auditor General, 2015; Freeguard et al., 2015). Business Plans have been replaced by Single Departmental Plans.

Quarterly Data Summaries (QDS) were established as a set of data collected quarterly by the Cabinet Office. The data was used to compare information against historical performance and across departments and give managers a snapshot of how their areas are performing. The QDS depicted departments' spending data every quarter; to show the

taxpayer how the government is spending their money, linked to the objectives set out at the beginning of the year in the Business Plan. The QDS template was the same for all departments, though the individual detail of grants and policy differed from department to department. The QDS broke down the total spending of the department in three ways: by Budget, by Internal Operation and by Transaction. The information base for QDS was internal government management information (HM Treasury and Cabinet Office, 2015).

QDS data was to be used to inform decision-making by Ministers in a variety of different ways (e.g. comparing the efficiency of fraud strategies, tracking the savings and efficiencies delivered by shared services). In doing so, the government developed an internal tool to visualise all the information collected via the QDS – the Comparative Analysis Tool or CAT. This was a tool for internal Civil Service use, as it contains functional and programme budgets, forecasts and other information that is commercial in confidence. The government acknowledged room for improvement in the quality and timeliness of QDS data via the Government Interrogating Spending Tool.

QDS and Business Plans were not fully integrated with the information that departments use to manage themselves. The key financial, resource and performance information contained within the Expenditure and Transparency sections of the Business Plans were not aligned with the figures reported within departments. Further, Business Plans did not have the same level of scrutiny applied as other planning and reporting processes because of alignment issues with internal vs. external accountability. The planning goals of senior leadership within ministries did not fully align with the Business Plans (Freeguard et al., 2015).

HM Treasury analysis has concluded that the BP and QDS reporting system was difficult to navigate and lacked a coherent narrative message. A cause was the number of unconnected reporting requirements mandated by Cabinet Office and HM Treasury. Consequently, the UK government is launching a new, more integrated performance information framework. Single departmental plans (SDPs) will be used to track performance within each department (Manzoni, 2015). The QDS performance regime was previously managed by the Cabinet Office, though management is being shifted to the Treasury. This managerial shift in responsibilities may improve the budget relevance and impact of QDS information.

For the QDS information to become managerially impactful, it would, however, require integration or complementarities with the existing internal financial systems, namely the Online System for Central Accounting and Reporting (OSCAR). OSCAR is a financial reporting system used by Treasury to carry out its financial management functions in relation to departmental budgets and estimates for approval by the UK Parliament. The OSCAR financial information corresponds to the UK System of National Accounts, an internationally established system for statistical measurement. Government finance is managed on a budgeting rather than statistical basis. There should therefore be a general read-across between OSCAR data, QDS and the business plans of departments.

Departments provide spending forecast and outturn data to the Treasury through the OSCAR system. This data, along with non-financial operating data is influential for in-year budget adjustments, as the Treasury's forecast of Autumn Statement allocations for each department are adjusted based on in-year spending information.

Box 18. Good practice: Open data in the United Kingdom

The UK ranks third in the OECD OUR data Index 2014 (Open, Useful and Re-usable Government Data), an index measuring government efforts to make public data available and easily accessible and to pro-actively support their re-use.

Three-quarters of the data resources held on <https://data.gov.uk/> are in a machine-readable, non-proprietary format, meaning that they can be easily reprocessed.

The government has provided guidance on the various standard data releases to encourage common structures and enable comparative analysis. One example is HM Treasury guidance on monthly itemised spending data, which specifies content and provides direction on the timing of release, redactions, internal review processes and data hosting arrangements. Mandatory content includes correctly formatted dates, amounts, expense types and suppliers.

6. United States

6.1. Context

The United States government sector currently maintains a financial balance of -5.1% of GDP (2014) and a government sector net debt of 85% of GDP. Unlike other OECD member countries, the US federal government has not undergone sweeping budget reforms in recent years, but has rather experienced meaningful, yet incremental changes to existing structures.¹¹

The budgetary process in the United States federal government is different from that in other OECD member countries. This is a consequence of the strict separation of powers that characterises the American constitutional system; and a long historical development in which new layers of institutional innovation were successively added to existing ones. In this respect, performance budgeting – a part of the US system for more than 50 years – is no different than the budgeting system, as a whole (Blöndal, Kraan and Ruffner, 2003).

The US system has a long history of initiatives to enhance the use of performance information to better manage programmes and improve budgetary decision making. However, most have built upon prior initiatives and have fallen short of having an impact on the budget process.

A complicating factor in these efforts, beyond the general complexities of performance-informed budgeting, is the institutional design of the US system of government – the constitutional separation of powers between the executive and the legislature (Congress).

Congress plays a central, constitutionally-defined role in the budget. It helps set national priorities and has considerable financial allocative control of the resources required to promote those priorities. Simply put, the support of Congress (and its committees) is critical to management and budget initiatives. Without congressional attention on performance budgeting matters, reforms that are driven from the executive are unlikely to become broadly influential (Posner and Park, 2007).

Emphasis on the distinct executive and legislative budget functions is emphasised more in this country case than in preceding sections because the separation of powers is such a vital element of the budget system, including performance budgeting. Unlike in most other countries – the executive's budget is merely a recommendation and only serves

as a benchmark for the legislature. The President's budget is notoriously referred to as "dead on arrival" regardless of the balance of power between the parties (Blöndal, Kraan and Ruffner, 2003).

The President's role has always been, and still is, only the first step in the preparation of the budget. How influential it is depends mainly on the political situation and in particular on the size of the President's party in each chamber of Congress. The President formally transmits proposals for allocating resources to the Congress through the budget and the Congress considers the recommendations and uses the information included in the budget as it drafts and passes laws that affect spending and receipts (Office of Management and Budget, 2015).

There are two principal budget submissions from the administration: the President's budget and the far more detailed departmental budgets presented before Congress.

6.1.1. *The executive's budget process*

The President's annual budget process begins with planning guidance to agencies specifying the funding levels for the department and notes the specific management and programmatic issues that departments must address in their budget submissions.

The President's Office of Management and Budget (OMB) then conducts an internal review exercise (the Spring Review) focused on management and programmatic priorities in each department. Next, the OMB identifies major issues for the upcoming budget and policy options, considering programme performance and management issues (United States Office of Management and Budget, 2015).

Performance informed proposals are then presented to OMB, consulting staff organised along agency lines. Performance information most influences the budget at this stage in the process. Officials from agencies will have considered and consolidated performance information in preparation of presentations to the OMB.

On a parallel track, budget preparations are made within departments, focused on discretionary spending aspects of the budget. Performance information considered within departments is not systematically considered and used in budget deliberations across agencies, as budget processes are at the discretion of the secretaries responsible.

Agencies then submit their budget information for consideration and inclusion in the President's budget. These types of information are not standardised and their weight in the budget process may vary. These processes culminate in the President's budget, further comprised of agencies' detailed departmental budgets. As a final step in the executive budget preparation process, the President's budget is submitted to Congress, detailed by agency and spending line.

6.1.2. *The legislature's budget process*

Congress plays a central, constitutionally-defined role in setting national priorities and the financial allocative role required to promote those priorities. In practice, Congress plays a much more highly detailed input control in budgeting than legislatures in most other OECD member countries (Blöndal, Kraan and Ruffner, 2003).

Congressional debate frequently focuses on relatively small amounts of money resulting from congressional interest and on new policy recommendations, so Congress' support is critical to management initiatives. Without congressional attention on performance budgeting matters, the effects of performance budgeting reforms driven from the executive are unlikely to become broadly influential.

Box 19. The constrained reach of performance budgeting in the United States

An important practical limitation on the potential of performance-informed budgeting in the US is the scope of budget which is under the discretion of the executive and legislature.

Currently 60% of non-interest federal public expenditure consists of direct spending, which often does not require annual appropriations approval. An example of this spending category is entitlements, for which budget allocations are politically difficult to change. Furthermore, much of the remaining 40% discretionary spending share subject to annual budget deliberations is spent through block grants to subnational government, and is difficult to account for in a performance system. Tax expenditures, a relatively common US policy tool, are also not included in performance budgeting consideration.

As a consequence, departmental budget submissions – Congressional Justifications (CJs) – are key documents in the process, particularly for the annual discretionary budget.

The CJs are the medium by which agencies under the executive explain and justify their budget requests to the responsible congressional subcommittees. The CJs are informal documents that are crafted to the desire of specific appropriations subcommittees, so the performance information collected within is not uniform. Generally, CJs contain programme data on spending from the previous year, plans for the upcoming year, and the departments' various plans and reports.

Performance information in CJs is tailored to the specific interest of the individual appropriations subcommittee. Some policy committees require highly detailed performance information; however the prime motivation is frequently operationally-oriented, rather than budget-focused. In theory, the performance information contained within affects budget allocation choices, but in practice this is rarely the case. Informational asymmetries between agency leadership and the legislature, and distrust between the executive and legislative branches of government have contributed to this result. These factors have, in part helped shape the evolution of American performance budget reforms.

6.2. The evolution of US performance-informed budgeting

The modern era of performance budgeting in the US has mostly been driven by the executive branch. Given this, it has evolved under each of the three recent presidential administrations: first in 1993-2000, then reformed throughout 2001-08 and finally amended again under the current administration from 2009 onward.

Performance information was emphasised in the US budgeting system under the *Government Performance and Results Act of 1993 (GPRA)*. The GPRA was the first comprehensive performance-based management system agreed to by Congress, codified in law. Under the

Box 20. Primary budgeting organisations in the United States

The President and Congress, of course, rely upon staff in support of budgeting. The central financial agencies are:

In the Executive Office of the President:

- The Office of Management and Budget (OMB), responsible for assisting the president in overseeing and the preparation of the president's budget and to supervise its administration by the executive branch agencies. OMB evaluates the effectiveness of agency programmes, policies, and procedures, assesses competing funding demands among agencies, and sets funding priorities. OMB ensures that agency reports, rules, testimony, and proposed legislation are consistent with the president's budget and with administration policies.

In the Legislative Branch:

- The Congressional Budget Office (CBO), responsible for providing the Congress with the objective, timely, non-partisan analyses needed for economic and budget decisions and with the information and estimates required for the congressional budget process. CBO prepares analyses and estimates relating to the budget and the economy and presents options and alternatives for the Congress to consider; but the CBO does not make recommendations on policy. CBO's services can be grouped into four categories: helping the Congress formulate a budget plan; helping it stay within that plan; helping it assess the impact of Federal mandates; and helping it consider issues related to the budget and economic policy.
- The Government Accountability Office (GAO), the investigative arm of the Congress. GAO examines the use of public funds, evaluates Federal programmes and activities, and provides analyses, options, recommendations, and other assistance to help the Congress make effective oversight, policy, and funding decisions. Its tools are: financial audits, programme reviews and evaluations, analyses, legal opinions, investigations, and other services.

GPRA, agencies were required to set goals, measure performance, and report the information to Congress by way of multi-year strategic plans, annual plans and annual reports (Moynihan and Lavertu, 2012).

Strategic plans defined both the agency mission and a set of long-range goals and objectives for the agency's major programmes and functions. Performance plans included measurable performance goals with target levels for a particular fiscal year, covering all programmes and functions of each agency. Retrospective performance reports compared actual performance with the projected targets. The agency performance plans were tied together with a government-wide plan, as part of the President's budget. The plans contained a mix of input, output and outcome objectives, most of which were externally oriented on a programme basis. Agency officials were responsible and accountable for achieving plan goals.

Despite these requirements, the US had a difficult time fully integrating performance into the budget. The decentralised structure of the GPRA tools limited the usefulness of performance information for budget allocation choices. Other factors included a lack of meaningful data, measures that changed over time, little in the way of cost-of-service data, and difficulties in creating inter- and intra-departmental goals (United States Government Accountability Office, 2004; Moynihan and Lavertu, 2012).

Foreshadowing future performance budgeting challenges, performance information had little influence on Congressional budget choices. Congress played a limited role in developing objectives, so while performance information was well aligned with executive branch programmes, it was poorly aligned with Congressional budget appropriations votes. This misalignment helped contribute to low performance information usage and ultimately, limited budget impact (Rhee, 2015).

In 2002, to encourage greater use of programme performance information in budget decision making, the Office of Management and Budget (OMB) created the Program Assessment Rating Tool (PART). Agencies were required to include performance plans into the budget submission under the GPRA, and this requirement was enhanced under PART. PART was intended to provide a consistent approach for evaluating the suite of roughly 1 000 federal programmes within the executive budget formulation process. It established a larger central role for OMB in reviewing and shaping the agency plans. Before performance information was included in the budget under the GPRA, OMB had a limited role in influencing agency plans (Rhee, 2015; Moynihan and Lavertu, 2012).

Under PART, a grading scheme was applied to each programme, using available programme performance and evaluation information. Scoring was based on four broad groups of questions: programme purpose, strategic planning, programme management and results. The process yielded a total weighted numerical rating and using these numerical scores, OMB rated each programme's effectiveness.

The stronger link between the OMB and agencies weakened Congress' consultative input into defining targets and then collecting and disseminating performance information. So while performance information became more abundant under PART, its use by Congress or agencies did not improve. Congress continued to broadly question the credibility of performance data, perceived as a tool of the executive. PART information remained aligned on a programme structure, de-linked with the vote structures of Congress. Further, the timeliness of data, or lack thereof, inhibited use in both agencies and Congress' budget planning exercises (United States Government Accountability Office, 2009).

Consequently, two successive performance budgeting reforms failed on account of being driven by the executive branch and lacking Congressional buy-in, consultation and uptake. Congress had little stake in the GPRA/PART reports and the programme structure of the information was not well-suited to the appropriations structure of the Congress. While Congress was supposed to be consulted on the development of the goals, it had no formal power to change goals. Political divisions within Congress and between Congress and the executive also contributed to distrust in performance data (United States Government Accountability Office, 2005 and 2009).

In 2009, the *GPRA Modernization Act* (GPRMA) sought to remedy past shortcoming by strengthening consultations with Congress, changing the relationship between the OMB and agencies and aligning individual and organisational performance accountability.

The GPRMA reforms enhanced the consultative role of Congress in establishing performance indicators. Under PART, performance data was highly centred on consultation between the OMB and agencies. As delivery agents, agencies already possessed a large informational advantage, and the perception among many Congress members was that PART data could be strategically presented by agencies to reflect intended performance narratives, rather than a comprehensive, performance-informed snapshot (United States Office of Management and Budget, 2009).

The GPRMA established more specific requirements for agency and OMB interactions with Congress. The reform increased consultation, engaging Congress and legislative staff earlier in the process to facilitate better proposals, improving trust in the data presented within. For example, agency consultations with Congress about Agency Strategic Plans are now required to include both majority and minority views from authorising, appropriations, and oversight committees. Consultation is required by the GPRMA to occur every two years (United States Office of Management and Budget, 2009).

Additionally, the OMB identified the time allocated to options analysis prior to budget consideration as a shortcoming in the previous structure and moved strategic policy analysis dialogue forward in the budget-making calendar. OMB is now required to consult “periodically” with the majorities and minorities of several specific committees when OMB co-ordinates development of long-term federal government priority goals (United States Office of Management and Budget, 2009).

In practice, improving the performance information flows between Congress and the executive have proven elusive. In a recent evaluation, the Government Accountability Office found little evidence that meaningful consultations occurred with Congress related to agency strategic plans and agency priority goals. Congressional staff, on the whole still desire a deeper examination of each agency’s strategic plan and overall performance (United States Government Accountability Office, 2013).

The benefits of performance budgeting reforms have been presented to Congress along the executive’s orientation – facilitating a more efficient, economic and strategic allocation of the whole of the government’s resources. However, Congress’s functional budgetary engagement with agencies most occurs through the policy sub-committees. Performance information is needed to improve decision-making at an issue- and programme-based level, with information reconciled to Congress’s levers – appropriations votes. A consistent challenge of performance budget restructuring may be discovering ways to reflect both the broader planning perspective in budget deliberations, adapted to Congress’ appropriations, oversight and accountability functions (United States Government Accountability Office, 2006).

Other considerations for Congress’ use of performance information extend beyond process and consultation. An important participant in prospective strategic reallocation analysis is Congressional staff, which is an important analytical support function for the elected members of Congress. The Congressional budget has undergone serial cuts and freezes, negatively impacting access to staff experienced in synthesising performance and budget info into policy-relevant decision support. This is compounded by the Congress’ responsibility to authorise spending in a different appropriations basis than how performance is reported by agencies. Given these logistical constraints, performance analysis is seldom a priority for Congressional staff, to the detriment of performance-informed budgeting initiatives (United States Government Accountability Office, 2002 and 2006).

Nevertheless, recent reforms have continued to evolve performance budgeting within the executive branch. The OMB now plays a more collaborative role with agencies than under the GPRA regime. Under PART, the OMB increased its central role in the executive, to enhance consistency and comparability of performance information across agencies. The principal features were PART scoring, ratings and rankings. This central scoring role created an adversarial rather than collaborative dynamic between the OMB and agencies. Low performers in PART scoring were potentially subject to budget cuts or other consequences (United States Office of Management and Budget, 2009).

The GPRMA reforms intend to foster a less adversarial relationship between the centre of the executive (OMB) and line agencies. Scoring and ranking was removed in an effort to incentivise greater strategic consultation and performance information flows between the OMB and agencies (United States Office of Management and Budget, 2009).

Also as part of the move to a more collaborative, performance management orientation, OMB announced a plan to strengthen federal programme evaluation, noting that rigorous independent programme evaluations can help determine whether government programmes are achieving their intended outcomes as well as possible and at the lowest possible cost. Programme evaluations are systematic studies that assess how well a programme is working, and they are individually tailored to address the client's research question.

Finally, the GPRAMA created formal roles to encourage broader engagement in performance information by top level agency leaders. It created individuals personally accountable for performance objectives within the agency. Conceptually, the reform sought to inspire a performance-oriented culture – more engaged leadership would help foster more engagement in performance information by programme managers and staff. New roles include:

- Chief Operating Officers – a position within each agency responsible for improving the management and performance of the agency, conducting quarterly reviews for agency priority goals, and overseeing efforts to improve mission-support functions (e.g. procurement). The COO is typically the deputy head of each agency.
- Performance Improvement Officers – officers within each agency responsible for providing advice and assistance to the head and deputy head of an agency in areas like goal-setting, planning, and performance measurement. The PIO in each agency reports directly to the agency Chief Operating Officer.

A Performance Improvement Council (PIC) was also established. The PIC is chaired by the OMB's Deputy Director for Management and is comprised of the Performance Improvement Officers from agencies. The role of the PIC is to assist OMB with performance topics and improve cross-agency dialogue on performance.

These formalised individual accountability roles and structures, along with the performance contracts underlying these roles, have improved the performance-orientation of federal agencies. The GAO has discovered that agencies have been widely successful designating COOs and PIOs; and in practice, the roles have helped to align individual and organisational goals, providing a more focused operational performance direction for spending agencies. Performance contracts have also created stronger lines of accountability for organisational performance.

The PIC, combined with increasing formalised performance roles across agencies has also helped to develop stronger performance-oriented dialogue. Quarterly cross-agency meetings have led to more robust performance metrics and have improved performance-oriented cultures among senior executive branch leadership.

6.3. Strategic reviews

The US does not presently use a comprehensive spending review as a fiscal review tool, though some of the existing budget structures contain some of the pertinent features of spending review: including top-down budget ceilings and a systemic review structure to identify duplication and overlap.

The first step in the annual strategic review process begins in the executive branch. The OMB requires agency leaders to review progress on the strategic objectives established by the agency Strategic Plans and updated annually in the Annual Performance Plan.

These reviews are intended as an annual assessment of progress toward programme outcomes, the appropriateness of indicators, and an evaluation of potential productivity gains. These reviews are intended to inform strategic decision-making, budget formulation and near-term agency actions. The information is consolidated into the President's Annual Performance Plan and Annual Performance Report.

The OMB plays a central role in strategic reviews:

- Work with agencies to maintain an appropriate review methodology and offer suggestions to potentially improve the agency's review process over time.
- Assesses what budget, administrative or legislative proposals resulting from the assessment can be progressed.
- Central control on agencies' progress updates, to ensure alignment with the President's budget and policy aims.

Agencies are required to publish a brief, narrative progress update in the Annual Performance Report for each strategic objective and include this progress update online at www.performance.gov/. The Annual Performance Plan addresses agency plans to improve performance, noting actions which will be taken by the agency over the course of the following year, along with the longer-term plan for performance improvement.

If a particular performance goal is not reached, the OMB works with agencies to ensure follow up in the Annual Performance Plan and as part of the President's budget, as needed. This may include major reforms, legislative proposals, and programme reductions, eliminations or investments depending on the nature of the challenge and the needed improvement actions.

When strategic objectives have been determined by the agency and OMB as requiring focused improvement for multiple, consecutive fiscal years, the agency and OMB are required by law to take progressive actions each year. The Annual Performance Plans and Congressional Justifications incorporate improvement actions (determined by the agency in consultation with OMB) by publishing changes to strategies, progress updates and next steps for each strategic objective in the Annual Performance Plan and Report.

A second, equally important stage in incorporating performance information into budget allocation decisions is at the legislative stage. The granular review rigour of a spending review is completed, in part, by Congress on an annual basis. Congress is involved in the budget process at a more detailed level than most legislatures, serving the challenge function that is often within the executive or a committee as part of a comprehensive spending review in other case study countries.

Presently, performance information is not a widely used input into budget negotiations. The usefulness of the performance reports generated in the executive is undermined by trust in the data within. At the moment, there is little independently verifiable information for Congress to make allocative budget choices using a performance-informed approach. Some Congress members, particularly those in opposition, doubt the reliability of the data provided by agencies, citing political

motivations in the selection and presentation of information. Consequently, Congressional staff state that the reports are not relevant to their process, and that the performance information presented within plays no role in budget allocation choices (Brass, 2012).

The decentralised approach in the US, whereby agencies have a great deal of autonomy in performance and budget is apparent in the follow-up on spending review processes. In all case countries, as is the case in the majority of OECD countries undertaking spending review, the CBA is responsible for follow-up monitoring of spending review allocations. Alternatively, in the US, the monitoring responsibility is that of the line agency (United States Office of Management and Budget, 2015).

Figure 11. **Organisations responsible for follow-up monitoring of spending review allocations in OECD member countries**



Source: OECD, *International Performance Budgeting Database*.

6.4. Evaluation

Evaluation is not a commonly used tool in the US budgeting system. As recently as 2009, many important programmes had never been evaluated. Evaluations had not commonly shaped budget priorities or management practices, and many agencies lacked an evaluation office capable of supporting an ambitious strategic research agenda. Positively, recent reforms in the GPRMA in 2009 have expanded the performance budgeting repertoire to include additional emphasis on evaluation (United States Office of Management and Budget, 2009).

Evaluation is a highly decentralised budget function in the US system, so the resources, processes and capacity available to support evaluation can vary considerably by agency.

The OMB's central role is largely one of support:

- Assisting agencies in publishing evaluation results online.
- Establishing inter-agency working groups to build capacity.
- Heading a voluntary evaluation project.

Despite this limited central role, the GAO finds that the general criteria agencies use for selecting evaluations are consistent: strategic priorities, programme concerns, critical unanswered questions, and the feasibility of conducting a valid evaluation study.

The GAO has noted limitations in the quality of agency evaluation information and in agency capacity to produce rigorous evaluations of programme effectiveness. Agencies have had difficulty assessing programme outcomes that are not quickly achieved or readily observed; and measuring contributions to outcomes that are not directly influenced by government intervention. The GAO notes that there remain several common weaknesses of evaluation in the US government: 1) an evaluation culture; 2) data quality; 3) analytic expertise; and 4) collaborative partnerships (United States Government Accountability Office, 2012).

As recently as 2013, the GAO found that about a third of federal managers agreed to a “great” or “very great” extent that their agencies have sufficient analytical tools for managers at their levels to collect, analyse and use performance information. Consequently, as the agencies continue to develop evaluation capacity over time, agency evaluations may target strategic priorities rather than a comprehensive scope of total spending (United States Government Accountability Office, 2013).

Evaluation is not solely driven through executive priorities, as Congress can influence agencies’ evaluation choices in a variety of ways. Congress provides agencies with the authority and the funding with which to conduct evaluations, and may sometimes mandate specific studies. In addition to legislatively mandating studies, Congress expresses interest in evaluation topics through other avenues, such as oversight and appropriations hearings. In practice, these forms of performance evidence-gathering are not widely used and have had a limited practical role in budget allocation choices.

The causal factor in the limited use of evaluation information in budgeting is somewhat circular. Historically, the information gathered in evaluation has not consistently provided the timely and policy- and budget- relevant questions required to support performance budgeting at the OMB or in Congress. Then as a consequence, evaluation is not prioritised in programme budget development, weakening the development of systematic evaluation capacity (United States Government Accountability Office, 2011).

The GAO is an additional source of trusted evaluation information in the US system. Although somewhat more limited in its access to operational data than agencies, the GAO commonly conducts audits and evaluations of policies and programmes. The GAO has responsibility for the whole of government spending, so it is well-positioned to perform comparative analysis and examine cross-cutting issues that are not well-suited to the vertical agency structures.

Though independent from the executive, the performance information generated in GAO audits and evaluations have been cited as contributing to budget development dialogue in both the executive and legislative branches. However, the mechanism in which GAO analysis links to budget processes is not well established and occurs in an ad hoc manner. Several GAO publications are informally but annually ingrained into Congressional committee discussions (e.g. Annual Report on Fragmentation, Overlap and Duplication).

The GAO (along with the CBO) has another vital, albeit less formal role in the budget system – providing an objective opinion on performance information quality. Given the divisions in trust between the executive and legislative branch, the GAO/CBO can play a constructive role in confirming the credibility and value of performance information produced by the executive. A low-cost, highly beneficial improvement can be made in performance-informed budgeting by increased uptake on existing information that is

potentially ignored for reasons of distrust. Although the GAO/CBO can, at times, raise questions regarding executive branch estimates and information, their role in improving the systemic credibility information is broadly considered positive, on net.

Lastly, non-public sector policy research is another influential aspect of American budget-making. This research occurs within think tanks and advocacy groups, and even academic institutions. Though not a part of the formal programme evaluation budget structure, the information developed at these organisations is used in budget negotiations.

6.5. Monitoring

The GPRMA requires agencies to publicly report on how they are ensuring the accuracy and reliability of the performance information they use to measure progress towards performance goals. Through these reforms, the US executive has minimised emphasis on performance information as an accountability tool in an effort to enhance the timeliness and use of performance data (United States Office of Management and Budget, 2009 and 2011).

The core goals of the reform are to make better use of the information and resources devoted to collecting data held within agencies and to better inform budget and management decisions regarding performance and results.

The prior data regime (PART) and other performance-data based accountability mechanisms generated volumes of performance information that was infrequently used to inform decision-making. PART scoring, purposefully or otherwise, created inherent tension between agencies and the budgeting bodies that hold those agencies accountable for spending: the President, OMB and Congress. While this tension was, at times, a purposeful feature of the budgeting process, it was also perceived as a barrier to collaboration and information exchange. Agencies hold the preponderance of performance information, so if agency heads perceive that the information may be used against their goals, the other actors in the system are at risk of not receiving the full picture (United States Government Accountability Office, 2012). Consequently, recent monitoring efforts have focused on performance information for presentational, rather than accountability purposes (United States Office of Management and Budget, 2009).

Nevertheless, the OMB tracks progress toward government-wide and agency-specific goals online, available for public use at www.performance.gov/. These measures are a positive step in performance-oriented accountability and transparency, though the impact of which on budgeting remains to be seen. Some of the key reports include (but are not limited to) the list in Table 2.

The GAO has reported that new reporting tools, namely the quarterly performance reviews, have shown promise in improving internal agency co-ordination and collaboration. Agency performance improvement officers use the reviews to co-ordinate or collaborate with other agencies that have similar goals (United States Government Accountability Office, 2013).

There also exist monitoring tools in the US performance system outside of the executive branch, two of which are ingrained in the performance-informed budget machinery of government:

The Government Accountability Office High Risk List: Every 2 years at the start of a new Congress, GAO calls attention to agencies and programme areas that are high risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or are most in need of

Table 2. **Important performance information reports of the OMB**

Tool	Coverage	Frequency	Description
Agency Strategic Plan	Agency	Every 4 years	A multi-year strategic plan that articulates the fundamental mission (or missions) of an organisation, and lays out its long-term general goals for implementing that mission, including the resources needed to reach these goals. Agencies are required to publish plans at least every 4 years, concurrent with the President's budget.
Agency Priority Goals	Agency	Annual	Goals to reflect the agency's highest priorities, as determined by the agency head and informed by the federal government priority goals and consultations with Congress and other interested parties required for the agency strategic planning process. These specify targets that can be achieved within 2 years and include interim quarterly targets and milestones for performance indicators, as necessary. There is a clearly identified agency official, known as a goal leader, who is responsible for achieving each goal.
Agency Performance Plans	Agency	Annual	Used to provide the direct linkage between an agency's longer-term goals (as defined in the strategic plan) and what its managers and staff are doing on a day-to-day basis. These plans are often hierarchical in form, showing what annual performance goals need to be accomplished at each level in order for the next higher level to meet its own goals. Performance goals may relate to either outputs or outcomes.
Agency Quarterly Reviews	Agency	Quarterly	Reports used to detail the progress made toward achieving the goal during the most recent quarter, overall trend data and the likelihood of meeting the planned level of performance.
Agency Performance Reporting	Agency	Annual	An annual report to provide an update on each agency's performance, comparing actual performance achieved against the performance goals established in the performance plan.
Federal Government Priority Goals	Government-wide	Every 4 years	The government-wide strategic plan. Crosscutting policy goals are required to be outcome-oriented and limited in number to ensure that there is ample focus on achieving these goals over time. Management-related goals cover management functions where improvements are needed across the federal government. The OMB publishes these goals every 4 years, concurrent with the President's budget.
Federal Government Performance Plan	Government-wide	Annual	An annual plan used to: <ul style="list-style-type: none"> ● Define the level of performance to be achieved during the current and next fiscal years for each of the federal government priority goals. ● An identification of the federal agencies, organisations, programme activities, regulations, tax expenditures, policies, and other activities contributing to each federal government performance goal. ● For each federal government performance goal, an identification of the lead government official who is responsible for co-ordinating efforts to achieve the goal. ● Common crosscutting performance indicators with quarterly targets to measure or assess overall progress toward each federal government performance goal, as well as the individual contribution of each contributing agency, organisation, programme activity, regulation, tax expenditure, policy, and other activity;. ● Clearly defined quarterly milestones. ● An identification of crosscutting major management challenges and plans to address them, including relevant performance goals, performance indicators, and milestones.
Federal Government Quarterly Reviews	Government-wide	Quarterly	The agency head and (COO), with the support of the agency performance improvement officer (PIO), develop a report, in conjunction with each goal leader to update on: <ul style="list-style-type: none"> ● The progress made toward achieving the goal during the most recent quarter. ● Overall trend data. ● The likelihood of meeting the planned level of performance.

transformation. The list has been in use since 1990 and has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public. Over time, the government has addressed some of the high-risk problem programmes identified on the list, and has made progress toward correcting perceived weaknesses. In a number of cases, progress has been sufficient for the GAO to remove the High-Risk designation. In 2015, the GAO introduced a rating system for tracking progress. The GAO High Risk List is also an example of co-ordination among several budget actors: Congress leadership and sub-committees, the OMB and the GAO.

The Government Accountability Office Annual Report on Fragmentation, Overlap and Duplication: a report used to identify opportunities for executive branch agencies and Congress to reduce, eliminate, or better manage fragmentation, overlap, or duplication; achieve cost savings; or enhance revenue. The progress of executive branch agencies and Congress is tracked by the GAO in subsequent annual reports and on the online Action Tracker, a publicly accessible website that tracks progress the government is making in addressing the issues GAO identified in past reports.

Box 21. **Good practice: Interactive monitoring in the United States**

The OMB has developed a performance website – www.performance.gov/ – with searchable, machine-readable data on the progress toward agency and government goals and targets. If an agency’s strategic objective is dropped, added or modified significantly in between the four year updates to the strategic plan, US agencies are required to notify and obtain concurrence from OMB to make the change. Agencies are also required to summarise the modifications to objectives in the Annual Performance Plan, similarly to how changes in performance goals are published, with a brief explanation for the change.

Notes

1. Public finance figures throughout the report are drawn from the *OECD Economic Outlook 98* database.
2. Public finance figures throughout the report are drawn from the *OECD Economic Outlook 98* database.
3. Other reforms included multi-annual budgeting and medium-term expenditure framework (MTEF), accountability to parliament and to the public: “Whole-of-year budgeting”, and evidence-based expenditure policy.
4. Smyth (2007) in Boyle (2013), *The State of Policy Evaluation in Ireland*.
5. Special Group on Public Service Numbers and Expenditure Programmes, 2008.
6. Public finance figures throughout the report are drawn from the *OECD Economic Outlook 98* database.
7. The Minister of Finance can veto sending an evaluation report to parliament, but this has been historically rare.
8. Public Finance figures throughout the report are drawn from the *OECD Economic Outlook 98* database.
9. *OECD Fiscal Decentralisation Database*, Tables 5 and 7, www.oecd.org/tax/federalism/oecd/fiscal-decentralisationdatabase.htm#C_4.
10. Strategic goals were also one of the purposes of the cyclical spending reviews.
11. Public finance figures throughout the report are drawn from the *OECD Economic Outlook 98* database.

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