

Performance budgeting allows countries to systematically incorporate performance data into the budget process and many LAC countries have begun to adopt it. The implementation of performance budgeting requires adopting financial management information systems that facilitate the collection of performance data, adjusting the budget process to incorporate the information into budget allocations, establishing appropriate incentives at the management level and developing institutional capacity to carry out the process.

The adoption of performance budgeting systems in LAC countries has been uneven. Although there is no consensus on the optimal type of regime that should be applied, the OECD has identified three broad categories of performance budgeting systems: presentational performance budgeting whereby performance information is produced and shown alongside funding allocations, but not necessarily utilised in spending decisions; performance-informed budgeting where such information explicitly influences allocation of resources; and direct performance budgeting in which funding is strictly linked to outputs and outcomes. Most LAC countries are in the first category, focusing primarily on approving and implementing laws regarding financial management, elaborating performance indicators and creating a financial management information system. Further, poor performance is rarely linked to a budget decrease; in most cases, it results in more intense monitoring, and it is sometimes made public.

Most LAC countries have adopted government-wide performance budgeting frameworks, uniformly applied to government agencies in order to provide common guidelines. Colombia, the Dominican Republic, El Salvador and Honduras are the only LAC countries that do not possess a framework at the central government level, but have a more decentralised system in which line ministries develop their own performance budgeting frameworks. In OECD countries, the practice is generally decentralised within central/federal governments. It is more common that line ministries apply their own performance budgeting practices in the allocation of their own budget envelopes across agencies/divisions.

The 2013 OECD Survey on Performance Budgeting shows that financial data is the main type of performance information used in budget negotiations. Many countries also use statistical information to inform allocation decisions. Few LAC countries use independent performance information from unsolicited organisations and/or programmes during budget negotiations. Further, spending reviews meant to identify specific budget savings throughout levels of government are only conducted in certain LAC countries. Brazil is the only LAC country to use all internal forms of performance information consistently. In OECD countries, the most commonly used information in budget negotiations are input measures like financial and operational data.

### Methodology and definitions

Data refer to 2013, drawing on the 2013 OECD Survey on Performance Budgeting. Respondents were predominately senior budget officials in LAC and OECD countries. Responses represent countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude performance budgeting practices at the sub-national level.

Spending reviews are a specific kind of government evaluation commissioned to identify budgetary savings across government. The OECD Value for Money Project differentiates spending reviews from other evaluation types through three main characteristics:

1. Spending reviews look at programme effectiveness and efficiency under current funding levels, and also examine the potential effect of alternative funding levels. They may be functional in nature and/or strategic.
2. Review procedure is under the responsibility of the Ministry of Finance or the prime minister's office.
3. The follow-up is decided during the budget process.

This composite index contains 11 variables that cover information on the availability and type of performance information developed, processes for monitoring and reporting on results, and whether (and how) performance information is used in budget negotiations and decision making by the central budget authorities, line ministries and politicians. Annex B contains a description of the methodology used to construct this index, including the specific weights assigned to each variable.

### Further reading

- Filc, G. and C. Scartascini (2012), *Budgeting for Results in Latin America: Conditions for its Deployment and Development*, Inter-American Development Bank, Washington, DC.
- IDB (2012), *The Fiscal Institutions of Tomorrow*, Inter-American Development Bank, Washington, DC.
- IDB (2008), "Presupuesto basado en resultados: Conferencia internacional", Inter-American Development Bank, Washington, DC.

### Figure and table notes

Data for Chile and Mexico refer to 2011.

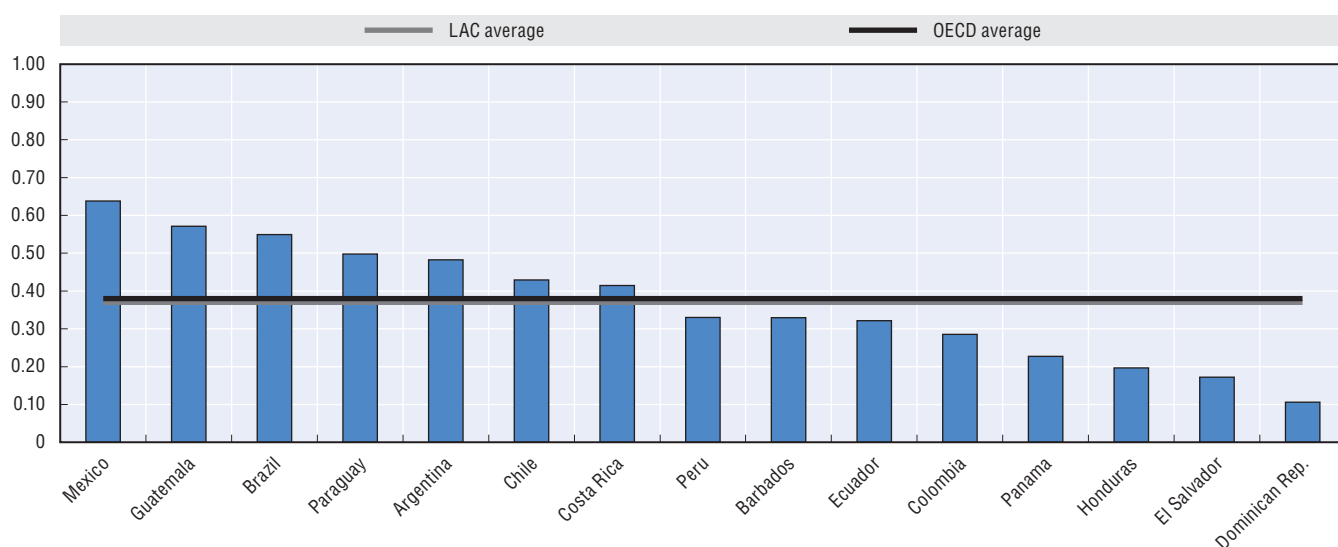
## 4.7. Performance budgeting practices at the central level of government (2013)

Existence of standardised performance budgeting framework for central government		Use of performance information in negotiations with CBA						Consequences for poor performance			
		Financial data	Operational data and performance reports	Performance evaluations	Spending reviews	Independent performance information	Statistical information	No consequences	Organisational or programme's poor performance	More intense monitoring of organisation	Budget decreases
Argentina	Yes	●	□	◇	x	◇	◇	◇	■	◇	□
Barbados	Yes	●	□	□	■	◇	■	◇	◇	■	□
Brazil	Yes	●	●	●	●	○	●	●	◇	◇	◇
Chile	Yes	●	□	■	x	□	□	□	●	□	○
Colombia	No, line ministries/agencies have their own	□	x	□	●	□	◇	○	◇	○	○
Costa Rica	Yes	■	□	◇	□	○	○	■	●	■	○
Dominican Republic	No, line ministries/agencies have their own	●	■	○	■	○	■	..	..	..	..
Ecuador	Yes	●	■	■	●	□	●	○	◇	■	□
El Salvador	No, line ministries/agencies have their own	●	○	■	■	◇	■	..	..	..	..
Guatemala	Yes	●	○	●	○	●	■	●	□	●	○
Honduras	No, line ministries/agencies have their own	□	◇	○	○	○	□	■	○	■	◇
Mexico	Yes	●	●	■	●	□	●	◇	●	●	◇
Panama	Yes	●	□	○	●	○	●	●	○	◇	○
Paraguay	Yes	■	■	□	○	□	□	○	□	□	◇
Peru	Yes	●	■	◇	○	○	□	○	◇	■	◇
<b>Total</b>											
● Always		11	3	2	5	1	4	3	3	2	0
■ Usually		2	4	4	3	0	4	2	1	5	0
□ Occasionally		2	5	3	1	5	4	1	2	2	3
◇ Rarely		0	1	3	0	3	2	3	5	3	5
○ Never		0	1	3	4	6	1	4	2	1	5
x Not applicable (information not produced or negotiations do not take place)		0	1	0	2	0	0	0	0	0	0
.. Not available		0	0	0	0	0	0	2	2	2	2


Source: 2013 OECD Survey on Performance Budgeting.

StatLink  <http://dx.doi.org/10.1787/888933090631>

## 4.8. Use of performance budgeting practices at the central level of government (2013)



Sources: 2013 OECD Survey on Performance Budgeting; and 2013 OECD Survey on Budget Practices and Procedures.

StatLink  <http://dx.doi.org/10.1787/888933090308>



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