



Project: **Capacity Building of NAPA for Open Local Governance**

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Performance Budgeting

Editor:
Juraj Nemec

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Capacity Building of NAPA for Open Local Governance

Performance Budgeting

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Project “Capacity Building of NAPA for Open Local Governance”

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Teaching module: Performance Budgeting

Responsible experts: Juraj Nemec, Nataliia Grynchuk

Planned time allocation: 4 hours lecture, 2 hours seminar, 4 hours exercise

The purpose of the module: to provide systematic knowledge and to train skills on the ways to formulate (programme) performance budgeting for a public body.

After studying this module students should:

- understand the essence of concepts of (programme) performance budgeting;
- be aware of the pros and cons of (programme) performance budgeting, including existing experience from the CEE region;
- be aware of the actual Ukrainian legislation on the topic;
- be able to propose programmes, targets and indicators for (programme) performance budgets for public bodies.

Plan

- Performance budgeting versus (programme) performance financing and their systemic problems.
- Pros and cons of (programme) performance budgeting.
- International experience with (programme) performance budgeting.
- Existing Ukrainian legislation and experience on (programme) performance budgeting – brief overview.
- Implementing (programme) performance budgeting.

1. Performance budgeting versus performance financing (and their systemic problems)

Many academic and professional texts do not properly distinguish between performance financing and (programme) performance budgeting. For the purpose of this text we clearly distinguish between these two concepts:

a/ (Programme) performance budgeting (in the following text we will use the expression programme performance budgeting – PPB – to respect the way in which this tool is currently implemented in the CEE region: including both programme and performance elements).

One good example of how to understand PPB is the OECD definition that links the funds allocated to measurable results.

Other definitions might be:

- Budgets that contain information on actual or estimated results.
- Presentation clearly explaining the relationship between performance goals and the cost of achieving those goals.

b/ Performance financing – allocation of public resources to public and also private bodies on the basis of performance indicators. For example, in many countries, universities receive state grants on the basis of several indicators, normally, for example, the number of students and the scope and quality of publications which are re-calculated via an approved formula (see for example Nemeč and Orviska, 2009).

Both performance financing and performance budgeting are connected with many well-known limits. For example Van Dooren, Bouckaert and Halligan (2010) point out that performance has accumulated multiple and often ambiguous meanings. Literature shows that different forms of performance management have been implemented by governments using different methods for different purposes.

According to Halligan (2011), performance represents one of the two big issues (together with markets) in public management over the last 15 years; as an international movement, performance management has evolved and incorporated increasingly sophisticated measures. Yet, finely tuned and highly effective systems remain elusive.

Performance measurement is the collection of deliberate activities of quantifying performance, which includes defining a measuring object, formulating indicators, collecting data, analysing data, and reporting (Van Dooren, Bouckaert, and Halligan, 2010). Problems immediately arise in the first step, when measurability is usually discussed as a crucial factor in determining the quality of performance data and performance measurement.

This dimension of performance research is expected to answer questions such as:

- What should be measured and how should it be measured?
- How should the criteria be made operational?
- Does performance measurement measure what it intends to measure?

International literature clearly shows that performance measurement in the public sector is a complex and challenging issue because, in many cases, social and non-financial costs and benefits are expected to be measured. It is a complex exercise, because it usually combines objective and

subjective measures, and the measures often draw together data from a number of sources (Andrews, Boyne, and Walker, 2006).

Performance carries multiple and often ambiguous meanings (Van Dooren, Bouckaert, and Halligan, 2010) and there are various opinions on how it should be defined (Armstrong, 2009). Blalock (1999) points out that performance measurement systems tend to be so focused on the measurement of a limited set of outcomes that the true complexity of a programme's design is frequently ignored in the information production process. Consequently, too little information may be collected about important elements of programme implementation, of the interventions considered unique to a programme, or of a richer array of outcomes that may be very significant.

The approach to the actual use of performance data is also an issue. Moynihan and Pandey (2010) argue that governments have devoted extraordinary efforts to create performance data, wagering that it will be used to improve governance, but much remains unknown about the factors associated with the use of that information. Van Dooren, Bouckaert, and Halligan (2010) describe various distortions connected with the use of performance information and output as well as the performance target paradox. Boyne, Meier, O'Toole and Walker (2006) addressed the question of which aspects of management influence the performance of public agencies, noting that empirical studies of the impact of management on the real performance of public organisations are scarce.

Performance measurement should measure, as well as secure, both the accomplishment of the right objectives and the utilisation of the best method leading to their achievement (Pilarova, 2008). There are some flaws in this type of evaluation. Performance evaluation often focuses on outcomes, but it is very difficult to identify measurable outcomes and these do not necessarily make up an organisation's (or other's) performance. Organisations and employees often only concentrate on those criteria on the basis of which they are evaluated, whilst neglecting the others (Kellough, 2012). Outcomes achieved by an individual employee or organisation do not necessarily only depend on them. When organisations focus only on evaluating the performance of their employees, they may fail to meet objectives that are difficult to measure, e.g. customer assistance (Daley, 2005). The subject of an evaluation is often an employee's work and social behaviour within an organisation. In this case, the evaluation is often based on the conviction that desirable behaviour leads to efficient performance. Due to this, 'behaviour-based rating scales' based on required employee behaviour have been developed (Kellough, 2012).

In total, performance measurement is an important, but rather complicated public management tool – this fact must be respected when developing a PPBS scheme.

2. Pros and cons of performance budgeting, CEE experience

The core idea behind performance budgeting is the switch to a more transparent method of allocation of public resources (the core source on this for the CEE region is the book by Allen and Tomassi, 2001). The traditional budget shows where the money was spent, but it does not give any idea as to what the results of this action were. It normally takes the form of a line item budget - classified by expenditure type (e.g. salaries, allocations, and purchased goods and services). It is also normally prepared on an incremental/historical basis – the previous year’s allocations are simply adjusted for the planned year. Traditional budgeting might be effective in situations where there are no or only marginal changes in the expenditure area. It is simple to prepare and operate, but does not support the necessary changes (for example the need to decide which expenditure programmes to limit and which to extend/enlarge).

To respond to the above mentioned gaps, programme performance budgeting is about being clear on what you are trying to achieve. It relates expenditures and revenues to explicitly stated public goals and asks questions such as:

What is to be achieved from allocated resources?

What are citizens receiving in exchange for their money?

This method of budgeting shifts the focus from inputs to outputs or outcomes, which means that it represents the switch from:

How much money do I get?

to:

What can I achieve with this money?

Programme performance budgeting is a really important tool in modern public financial management (if properly implemented). Its main potential advantages can be the following:

- a) It improves the planning of a service supply.
- b) It helps to combat corruption via increased transparency.
- c) It serves as a “bridge” between a municipality and its citizens.
- d) It supports increasing management efficiency and improved control.
- e) It helps to reorganise expenditure programmes.

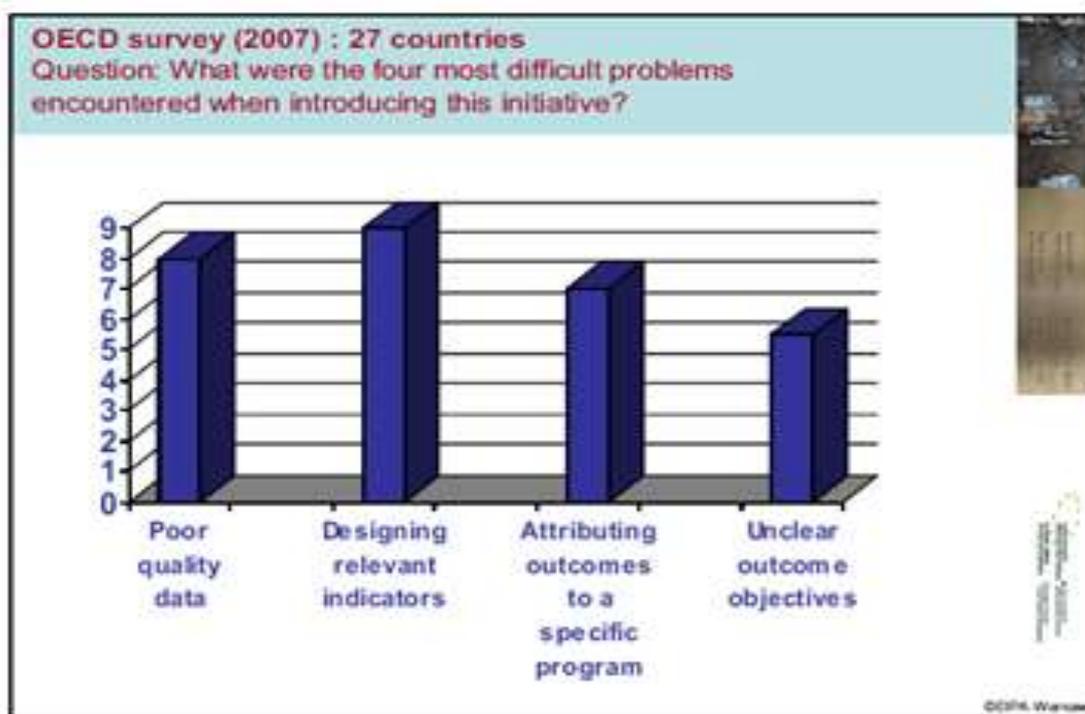
However, as already indicated, effective performance budgeting is not a simple task, especially since it is very difficult to properly measure outputs and especially outcomes (see above). It can result in many types of distorted behaviour because, if not well implemented, it creates perverse incentives. It

focuses on objectives, i.e. on the pursued effects whilst neglecting the side effects and the link between inputs and outputs/outcomes is ambiguous.

Under CEE conditions, performance budgeting is also endangered by its formal - really wrong implementation - based on a clear top-down order, resulting in strong resistance by the implementers to change (see later text).

Figure 1, based on an OECD survey, summarises the four most important problems connected with PPB, as expressed by interviewees from 27 countries.

Figure 1. Most important PPB problems



3. International experience with performance budgeting.

As Allen and Tomassi (2001) or Wright and Nemec (1997) explain, PPB was introduced more than fifty years ago in the United States by the US Government in 1965. However, after six years of discouraging results the system was abandoned.

This does not mean that programme performance budgeting is now dead in developed countries – it is used, but in various forms and scale.

To show one of the current approaches, you will see in Annex 1 an example of the budgetary programme from Bristol (Connecticut, USA), copied from the city website (Annex 2). This example clearly indicates that developed countries utilised experience from failed attempts in the past and

realised PPB in a simple, transparent and understandable way. This approach is in the hope that citizens and other stakeholders will use the information provided.

Unfortunately, the situation in our CEE region is different from current “western” approaches. Several CEE countries already introduced PPB, but as a top-down bureaucratic system and not as a tool to increase accountability, responsibility and efficiency. The Slovak example falls into this category. The programme budget of a small city has normally about 200 pages, with artificial indicators and a fair amount of uncalculated target data. In the following, we provide an older example from Slovak city, with a statement that the situation did not improve later (the report of the National Audit Office about the quality of the implementation of performance budgeting provides sufficient evidence).

Example: Excerpt from the municipal programme performance budget of a Slovak municipality

Subprogram 6.1: Collection, transport and disposal of waste

Mission: Regular and ecological processing of waste

	2010	2011	2012	2013
Budget (EUR)	1 842 068	1 911 300	1 975 300	1 975 300

Responsibility	Department of building and regional development						
Goal	To guarantee cost-effective collection and transport of waste with respect to citizens' needs						
Indicator	output: tons of collected waste per year						
Year	2008	2009	2010	2011	2012	2013	2014
Planned	25 000	25 000	25 000	25 000	25 000	25 000	25 000
Target							
Achieved level	21 438	20 008,3					
31.12.							

Exercise for students – any lessons that can be derived from this example?

4. Existing Ukrainian legislation and experience on performance budgeting – brief overview

Decentralisation reform in Ukraine aims to identify and differentiate tasks and functions, most of which are transferred from central authorities level to the lower level and become tasks and powers for the lower level. Amongst the positive effects of decentralisation the following are worth mentioning:



- Implementing a decision involving a decision-maker or under his/her responsibility. Therefore, the time and place of the decision is linked to the time and place of its implementation.
- Due to the optimal management structure the system and procedures of decision-making are simplified.
- The time period for the receipt of information from the executive level to the decision-making level becomes much shorter, and vice versa; the transparency and openness of the decision-making procedure and the process of its implementation leads to an efficiency increase.
- Raise awareness and increase responsibility for the actions taken and decisions made by officials.
- Democracy development, as there is increased influence on public affairs by local communities, social groups and the public in general.

Decentralisation reforms, including inter-budgetary relations – are an incentive for local communities to effectively fill their budgets, to move to self-sufficiency and plan their spending effectively. Currently, it is the local authorities who will decide where their money is to be spent and which goals they wish to achieve.

However, there is a significant risk that increasing the financial resources available to local governments will not lead to an increase in the volume and quality of public services, and with no better use being made of scarce public funds. In Ukraine, the budgetary technology to respond to this challenge is PPB.

In 2010-2014 in Ukraine there was an experiment of introducing PPB for the preparation and execution of local budgets. To participate in the experiment gradually involved different levels of local budgets. In 2014, almost all local budgets (except villages', towns' and cities' of district subordination budgets) were planned and carried out in the traditional format and simultaneously they prepared all documents in PPB format.

Experience gained in the experimental functioning of local budgets in PPB format shows that the planning budget, according to the PPB procedure, differs from the traditional (line-item budget) in the following:

- the emphasis changes from planning and monitoring the types and amounts of expenditures to planning socio-economic results of budget spending;
- the budget funds' distribution is based, not only on the availability of funds, but also on indicators of socio-economic efficiency;

- responsibility of budget administrators for the number and quality of public services (goods) delivered is enhanced.

In this way the expediency of the application of this method of budgeting and disseminating it in practice were proved.

According to the Budget Code of Ukraine (Art. 20, part 1) PPB is used in local budgets following a decision by the local council. However, the Law of Ukraine "On Amendments to the Budget Code of Ukraine on the Reform of Inter-Budgetary Relations" of 28.12.2014 № 79 defined that "PPB of local budgets that have relations with the state budget, is used starting with drafting local budgets for 2017". The deferral of wide dissemination of PPB is explained by the imperfect software of the process, and also occasionally by its absence.

However, in 2016, budget requests for 2017 and, consequently, local budgets should be made by PPB, and from the 1st of January, 2017, they should be performed only by PPB. During this time, the software of all local budgets should be adapted to PPB.

It should be noted that this norm applies to local budgets that have relations with the state budget. According to the amendments to the Budget Code of Ukraine they are regional budgets, budgets of cities of regional subordination, district budgets and the budgets of amalgamated local communities, created by the law and according to perspective plan of forming territories of the communities.

Since the experiment results showed the need to improve and unify the legal framework of PPB budgeting, a number of orders of the Ministry of Finance of Ukraine were approved.

The order of 02.12.2014 № 1194 changed the main approaches to the implementation of PPB in the preparation and execution of local budgets. The order stipulated that beginning in 2015, PPB of the local budgets was to be used, following a decision by the local council.

The order of 12.02.2014 № 1195 approved a new default programme classification of expenditures of local budgets at all levels and a new structure for coding programme classification of expenditures and crediting of local budgets.

These were carried out at the request of adherence to the principle of unity of the budget system of Ukraine, given the need for the consolidation of indicators and the provision of a single reliable report on the performance of all local budgets (regardless their methods of preparation and execution).

Given the practice of experiment participants, the Ministry of Finance issued the order "On some issues of implementation of PPB in preparation and execution of local budgets" of August 26, 2014 № 836, which approved new documents which allow implementing PPB of the budget process at the local level, namely:

- instruction on the status and features of participation in the budget process of responsible executors of local budget programmes;
- rules for drafting passports of local budget programmes and reports on their performance;
- form of a passport of a local budget programme;
- form of a report on implementation of a passport of a local budget programme.

The first thing that attracts attention is the fact that passports of budget programmes (and, respectively, reports on their implementation) are formed in 2017 with no breakdown of half-yearly – only annual figures.

It is clearly defined that the main responsibility and work on the formation of passports of budget programmes and reports on their implementation lies on the main administrators of budgetary funds. Key administrators of the budgetary funds of local budgets:

- are responsible for the development and approval in cooperation with local financial bodies of passports of budget programmes;
- within the time limits specified for filing the consolidated annual financial statements and budget statements, submit to local financial authorities reports on the execution of passports of budget programmes;
- within 30 days of drawing up a report on the implementation of a passport of a budget programme, submit to a local financial authority the summarised results of the analysis of the effectiveness of budgetary programmes;
- transfer to the relevant territorial body of the State Treasury Service of Ukraine a copy of a joint order of approval passports of budget programmes;
- within a week from the date of approval of the order on passports of budgetary programmes, obtain from the responsible executors, budget administrators of lower levels and recipients of budget funds, copies of approved passports of respective budget programmes.

Execution of the budget drawn up by PPB involves a number of activities related, not only to the financing of the programme, but also to managing expenses, distributed by sub-programmes and objectives of the programme or the sub-programme. Any decision on amendments or adjustments to the programme or its implementation strategy, on the volume of appropriations or redistribution of funds between tasks within the programme, on the continuation or termination of the programme etc., needs to be taken, based on timely well-founded analytical information obtained. The tools that ensure obtaining the necessary data are monitoring and evaluation - integral elements of the effective process of programmes management.

The importance of monitoring and evaluating budget programmes arises when implementing the new norms set out in the Budget Code of Ukraine by a Law of the 24th of December, 2014 № 79. Article 28 of the Code in the new edition regulates the following:

"The main state budget administrators (local budget administrators in case of PPB) by 15th March of the year following the reporting year, carry out a public presentation and publication of information on the budget by the budget programmes and indicators, budget allocations which are defined by law on the state budget of Ukraine (by a decision on the local budget), in accordance with requirements and according to the form established by the central executive body that ensures the formation of the state budget policy, and publish the passports of budget programmes for the current budget period and reports on the implementation of budget programmes for the reporting budget period".

Requirements for the assessment and monitoring of budget programmes implementation are governed by the following regulations:

- the order by the Ministry of Finance of Ukraine "On approval of guidance on measuring the effectiveness of budget programmes" of 17.05.2011 № 608 (amended of 12.01.2012 № 13)
- the letter of the Ministry of Finance of Ukraine regarding the "Improving of the method of comparative analysis of the efficiency of budget programmes that are executed by administrators of funds of local budgets" of 19.09.2013 № 31-05110-14-5/27486.

The PPB in budget planning allows linking together financial and socio-economic indicators of territories' development since passports of budget programmes and annual reports on their implementation include a list of socio-economic indicators and the corresponding budgetary resources to ensure their implementation. Therefore, it becomes a problem of more detailed specification of socio-economic indicators of programmes, the level of implementation of which depends on a certain amount of budget resources to provide these programmes.

Analysis of the current system of performance indicators of budget programmes' implementation, conducted on the basis of reports on the implementation of budget programmes in the fields of education and culture for the years 2012-2013, and typical lists of the performance indicators in these sectors, showed that the instrument of PPB needs improvement. For an efficient use of budget programmes' typical indicators their number should be adjusted and should be marked out, if necessary, with sub-programmes as part of specific programmes in the context of codes of functional classification of expenditures. This approach would allow more efficient use of budget funds of sub-programmes within a programme and reduce the organisational burden on the responsible executors of budget programmes when making amendments to decisions concerning a local budget. For example, if you need a slight adjustment of the budget appropriations for a certain budget sub-programme, a

responsible executor can make a reallocation of expenditures between sub-programmes within the scope of permanent appointments of the budget programme.

The number of performance indicators and their presentation by group (costs, products, performance, and quality) depends on the specifics of a budget programme and must meet the requirements of an analysis of the budget programme implementation. Objectively, the most informative indicators should be efficiency and quality performance indicators that take into account both consumers of social services as well as the tools to provide these services. This provides a higher priority of their use. However, when forming typical lists, preference is given to other criteria – such as indicators of spending and product. In the current structure, these more detailed indicators reflect the pricing factors (cost-based components) of budgetary services (e.g. the number of pedagogical and other staff jobs, number of libraries, theatrical performances and other events, quantity of customers, etc.) and the expected characteristics of the product, which in many cases substitute the necessary outcome indicators (efficiency and quality).

At the same time, the performance and quality indicators in the passports of budget programmes are very limited, designed as derivatives only from some indicators of spending and products, do not disclose the usefulness of the implementation of certain programme activities, and do not illustrate the satisfaction of the consumer with budgetary social service.

Thus, the current regulatory and legal framework of Ukraine allows forming local budgets by PPB approach (as of 2017) and can be seen in Annex 1.

Main challenges

Using PPB is expected to contribute to departing from the practice of funding by the principle of maintenance of budgetary institutions, will give impetus to analyse the structure and volume of budget expenditure and facilitate the implementation of the funding principle according to the strategic plan and by the priority areas.

The latter is the main challenge. The purpose and objectives of all budget programmes should meet the priorities of socio-economic development of the city's development strategy. Besides a low level of management skills in planning results and executive discipline of the main budget funds, the administrator can decide on a different funding level of budget programmes and their implementation.

Additional obstacles to the successful implementation of a PPB approach in local budgets in Ukraine are:

- an almost complete absence of medium-term budget planning;

- a lack of a clear relationship between strategic documents, targeted programmes and budget programmes;
- a low level of transparency in the budget process, which prevents public access to the monitoring of budget programmes.

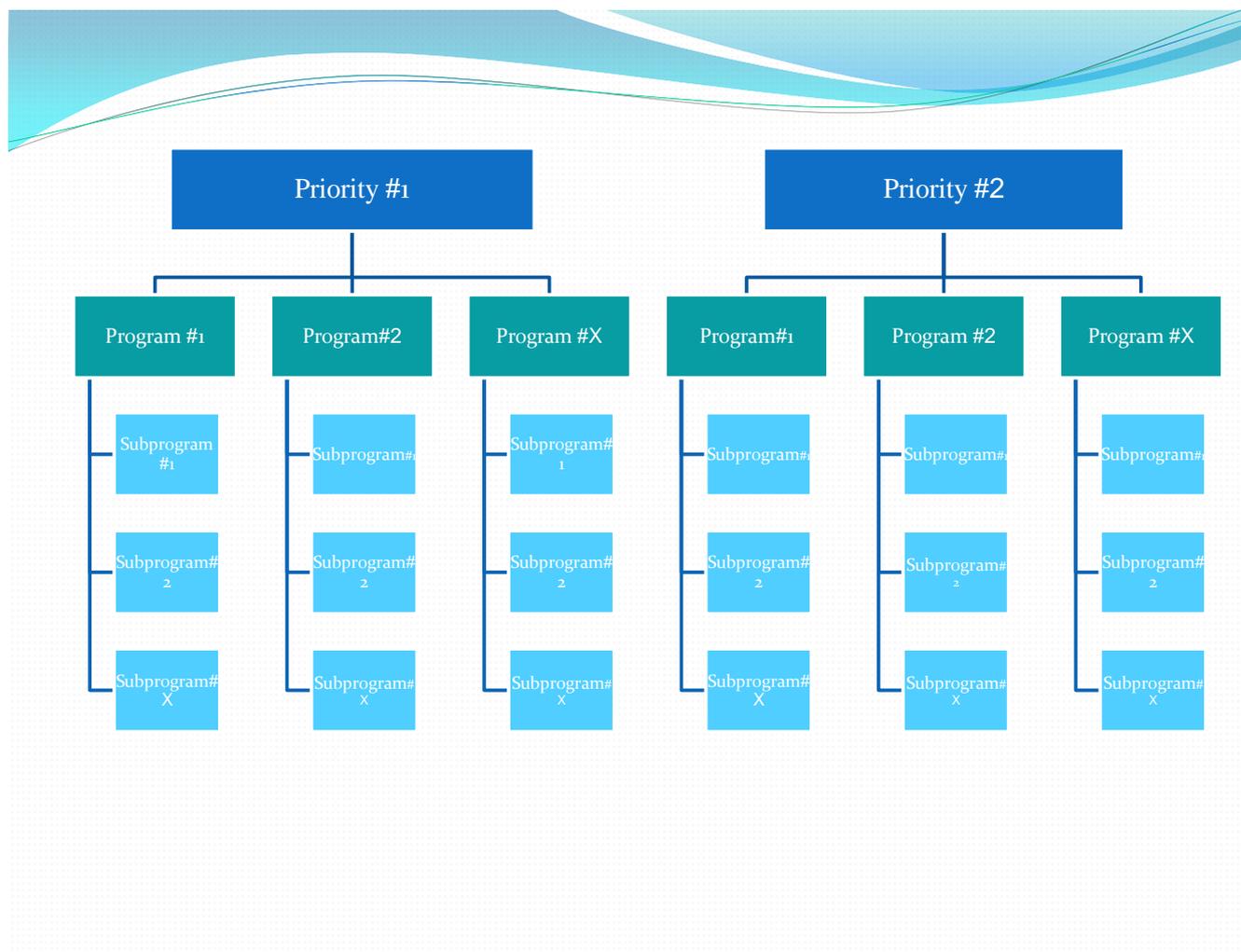
5. Implementing performance budgeting

Implementation of program performance budgeting is connected with few important concepts, described and characterised in this part.

Programmes/activities

In PPB, expenditures are classified by activity. The budget identifies the specific outputs/outcomes to be produced by activity – see Figure 2.

Figure 2. Activities/programmes



With this approach the main principles of PPB are respected:

- The programme represents the unity of activities to achieve the priority goals identified in the budget.
- The programme should have a title which is short and informative (e.g. Nature conservation, waste management etc);
- Programmes should be developed in accordance with the competencies of one organisational unit;
- One organisational unit must be responsible for a certain programme;
- The programme should focus on society goals;
- The programme should be clear and result oriented;
- The programme should cover its costs;
- The programme should serve as a coordinative tool for a local municipality's activities and thus reduce the duplication of cases and improve planning;
- The programme should improve the accountability of local municipalities towards their citizens.

Inputs, outputs, outcomes

Inputs are resources used to produce an output (in financial or non-financial figures). Examples: salaries, labour hours, material costs, depreciation, etc). Most inputs are simply to measure.

Outputs can be measured via the quantity of units produced. Examples: Miles of pipe visually inspected; clients served, students admitted, etc. Outputs can also be simply measured.

Outcomes are qualitative consequences associated with a programme/service; they focus on the ultimate “why” of providing the service. Examples: Reduction in fire deaths/injuries; increase in job trainees who hold a job for more than six months; decrease in low birth-weight babies, etc. Outcomes can be measured, but in many cases the link between inputs and outcomes might be very weak (was really a given change achieved thanks to given inputs?).

Efficiency indicators can also be used in programme performance budgeting - ratio of inputs used per unit of output (or outputs per input). Examples: Cost per unit: cost per ton of refuse collected, cost per prisoner boarded, cost per transaction, etc; Productivity: hours per consumer complaint, plans reviewed per reviewer, etc.

Exercise for students: Please, define if the following are output or outcome indicators:

- Decrease the percentage of citizens who do not feel safe in public areas.

- Decrease unemployment.
- Decrease the number of illegal immigrants.
- Increase the number of unemployed who have participated in public training programmes.

Goals, indicators and targets

Main general principles for performance budgeting are defined as follows:

- Measure what you want to measure and not what is easy to measure.
- Development of performance information requires a deep understanding of policy matters and therefore needs the involvement of policy staff.
- See target-setting as a positive process that prompts learning.
- Be patient; sustainable improvements take time.
- Don't set a target when the outcome / output cannot be influenced by intervention.
- Don't set an indicator/target when the cost of measurement outweighs the benefit.
- Don't set too many indicators and targets.
- Don't set an indicator/target when it is not a priority for the public or an organisation.

Goals

Programme goal/objective is a specific result, which is achieved during a certain period of time. Objective should show: what should be done, for whom and by when. Typical wording of the objectives are the following: increase, decrease, finalise, prevention, maintain etc. Examples for main municipal expenditure areas are:

- Increasing the number of residential units during the next financial year by 2%;
- Decrease leakage in water supply 25%;
- Increase number of commercial units in the city by 10%.

Useful hints for formulating objectives:

- i. Process: Engage local "Parliament" and Head of Branches so that the outcome reflects the political priorities.
- ii. Attribution dilemma: Focus on the result that the municipality wants to achieve.
- iii. Outcome pyramid: Focus on the outcome objective most closely related to the mandate of the municipality.
- iv. Formulation: be concise and use 'action verbs'

Indicators

Indicators can be numeric (tons of waste) or verbal (contact office established: yes or no, municipal transparency system accepted by external evaluator: yes or no...).

Indicators should be FABRIC:

- Focused - To prevent information overload, there should be no more indicators than necessary to capture the key objectives. Accordingly, the performance indicator should be focused on the organisation's aims and objectives.
- Appropriate - The information being collected should be appropriate to and useful for the stakeholders who are likely to use it.
- Balanced - The performance indicators should give a balanced overall picture covering all relevant aspects of the objective. It is necessary to prevent perverse effects (focus on only part of the organisation's objective is likely to lead to unmeasured activities being neglected) and to include both quantity and quality indicators (in Georgia all three groups of indicators – see above).
- Robust - The indicators should be set up in such a way that they can survive changes in political interests and organisational changes.
- Integrated - The performance indicators should not be an 'add-on', but integrated into the organisation, being part of the business planning and management processes.
- Cost effective - The resources put into collecting information for the indicator should be proportionate to the benefit which the information brings. Not only monetary costs, but also administrative burdens for the office and citizen should be considered. Using existing data sources may minimise costs.

Targets

Target-setting should be SMART:

- **Specific** - Be specific on what you are aiming to achieve. Options:
 - set a binary measure: yes/no
 - set an absolute number: 100
 - set a percentage: %
 - set an interval: minimum – maximum
 - set a direction: decrease/increase versus a base year
 - set a benchmark: top 3 of Ukrainian municipalities

- **Measurable** - The target should be measurable which means that data are available. Data can be derived from:
 - Information systems
 - Surveys
 - Evaluation studies
 - Peer reviews
- **Achievable** - The targets should be stretching and reflect ambitions. However, they must be achievable or realistic.
 - Too low = not effective
 - Too high = demotivating
- **Responsible** - Setting the target should involve the expertise and commitment of those that are responsible for delivering the target. Targets should be ‘owned’ by those who will manage the action.
- **Time-bound** - It should be clear when the target should be delivered. That is, the target should be bound by time.

Seminar

During the seminar students especially:

a/ discuss the pros and cons of PPPS

b/ compare (on line) CEE and Western approaches to performance budgeting

Exercise

During the exercises, students propose programmes, their goals, indicators and targets for concrete public bodies, in line with the existing Ukrainian legislation.

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Annex 1

The list of valid regulatory acts on PPB approach in budgeting in Ukraine:

1. The Budget Code of Ukraine.
2. The concept of reforming the local budgets, approved by the Cabinet of Ministers of Ukraine of 23.05.2007, № 308-p (with amendments of 21.07.2010 № 1467)
3. Order of the Ministry of Finance of Ukraine "On approval of the Main approaches to the implementation of PPB approach of preparation and execution of local budgets" of 02.08.2010 № 805 (with amendments of 12.02.2014 № 1194)
4. Order of the Ministry of Finance of Ukraine "On some issues of implementation of PPB approach of preparation and execution of local budgets" of 26.08.2014 № 836
5. Order of the Ministry of Finance of Ukraine "On approval of the Typical departmental classification of expenditures and crediting of local budgets" of 14.02.2011 № 96 (with amendments of 23.11.2011 № 1488 and of 14.12.2011 № 1627)
6. Order of the Ministry of Finance of Ukraine "On Approval of the Coding structure of programme classification of expenditures and crediting of local budgets and the Typical programme classification of expenditures and crediting of local budgets / Temporary classification of expenditures and crediting for local budgets, which don't use PPB approach" of 12.02.2014 № 1195
7. The joint order of the Ministry of Finance of Ukraine and the Ministry of Health of Ukraine "On approval of the Typical list of budget programmes and performance indicators of their execution for local budgets in the field of "Health Care" of 26.05.2010 № 283/437
8. The joint order of the Ministry of Finance of Ukraine and the Ministry of Health of Ukraine "On approval of the Typical list of budget programmes and performance indicators of their execution for local budgets in the field of "Health Care" for pilot projects in Vinnytsia, Dnipropetrovsk, Donetsk region and the city of Kyiv" of 21.09.2012 № 728/1015
9. The joint order of the Ministry of Finance of Ukraine and the Ministry of Education and Science of Ukraine "On approval of the Typical list of budget programmes and performance indicators of their execution for local budgets in the field of "Education" of 01.06.2010 № 298/519
10. The joint order of the Ministry of Finance of Ukraine and the Ministry of Culture and Tourism of Ukraine "On approval of the Typical list of budget programmes and performance indicators of their execution for local budgets in the field of "Culture" of 01.10.2010 № 1150/41

11. The joint order of the Ministry of Finance of Ukraine and the Ministry of Social Policy of Ukraine "On approval of the Typical list of budget programmes and performance indicators of their execution for local budgets in the field of "Social protection of family and children" by expenditures, taken into account in determining the amount of inter-budgetary transfers" of 24.10.2012 № 1116/673
12. Joint Order of the Ministry of Finance of Ukraine and the Ministry of Labour and Social Policy of Ukraine «On approval of Typical list of budget programmes and performance indicators of their execution for local budgets in the field of "Social protection and social security" of 27.09.2010 № 1097/290 (with amendments of 09.02.2011 №75/39 and of 08.10.2012 № 1060/630)
13. The joint order of the Ministry of Finance of Ukraine and the Ministry of Education, Youth and Sports of Ukraine "On approval of the Typical list of budget programmes and performance indicators of their execution for local budgets in the field of "Physical Culture and Sports" by expenditures, taken into account in determining the amount of inter-budgetary transfers" of 22.11.2012 № 1202/1291
14. Order of the Ministry of Finance of Ukraine "On approval of the Typical list of budget programmes and performance indicators of their execution for local budgets in the field of "Public Administration" of 01.10.2010 № 1147 (with amendments of 27.09.2012 № 1035)
15. Order of the Ministry of Finance of Ukraine "On approval of the Model list of performance indicators of budget programmes for local budgets by expenditures, that not included in the determination of inter-budgetary transfers" of 27.07.2011 № 945 (with amendments of 30.11.2012 № 1260)
16. The joint order of the Ministry of Finance of Ukraine and the Ministry of Education, Youth and Sports of Ukraine "On approval of Typical list of budget programmes and performance indicators of their execution for local budgets on issues of youth by expenditures, taken into account in determining the amount of inter-budgetary transfers" of 22.01.2013 № 35/41
17. Order of the Ministry of Finance of Ukraine "On approval of guidelines on measuring the effectiveness of budget programmes" of 17.05.2011 № 608 (with amendments of 12.01.2012 №13)

Annex 2

Programme Performance Budget, City of Bristol, US

PARKS & RECREATION

Edward Swicklas, Superintendent Office: (860) 584-6160 edwardswicklaswci.bnstol.ct.us

CITY OF BRISTOL, CONNECTICUT 2010-2011 BUDGET GENERAL FUND

EXPENDITURE SUMMARY FOR PARKS AND RECREATION

ORGCODE DESCRIPTION	PRIOR YBAR ACTUAL 2008-2009	ORIGINAL BUDJET 2009-2010	REVISED BUDGET 2009-2010	BUDGET REQUEST 2010-2011	JOINT BOARD 2010-2011
0017000 PARKS & RECREATION	\$ 2277582	\$ 2401750	\$ 2399901	\$ 2443776	\$ 2327590
TOTAL PARKS AND RECREATION	\$ 2277582	\$ 2401750	\$ 2399901	\$ 2443776	\$ 2327590

Service Narrative

The Bristol Parks and Recreation Department has become a leader in social services, personal growth and self-fulfilment by maintaining and developing public parks, playgrounds and recreational facilities.

The Parks Department is striving to build a finer community spirit and contribute fully to the enrichment of life for the citizens of Bristol. The Department is not an isolated unit of local government but is vitally related to all other community forces and works closely to integrate with all other agencies serving the leisure time interests of the citizens.

The professional staff consists of 22 full-time employees and more than 175 part-time seasonal employees. Policy is set by a seven-member commission. The Department was fortunate to have had many benefactors. These benefactors established numerous trusts and endowment funds that benefit the parks and community.

The Parks Department offers public recreation programmes for all ages, sponsors special events and special interest programmes, and assists community groups in recreation oriented activities. Facilities include: two outdoor swimming pools, three water spray parks, fifteen tennis courts, six lit sand volleyball courts, seven fishing areas, two horseshoe pits, two bocce courts, six basketball courts, disc golf course, para-fitness course, ADA compliant accessible playground, three baseball diamonds, three softball diamonds, jogging path, metered walking path, hiking trails, nine playgrounds and a cast-in-place skate park.

Parks and Recreation (continued)



Project "Capacity Building of NAPA for Open Local Governance"

Fiscal Year 2010 Major Service Level Accomplishments

- > Completed improvements to Hoppers/Birge Pond Nature Preserve
- > Restored WWI Cannon and Hiker Statue
- > Completion of Phase III - Rockwell Park, scheduled for June 2010. includes renovation of several historic buildings - Pavilion. Bell Tower, Summer House & Comfort Station
- > Developed a design for the renovation of Casey Softball Field
- > Initiated a design for the stabilisation of the Pequabuck River in Rockwell Park

Fiscal Year 2011 Major Service Level Goals

- > Start and complete renovations to Casey Softball Field
- > Start and complete renovations to Kern Park
- > Start and complete renovations to Pine Lake
- > Mill, re-grade and pave Rockwell Park roads

Long Term Goals

- > Complete Master Plan and renovate Muzzy Field and Page Park
- > Renovate the historic Rockwell Park Bathhouse

Performance Measures

Quantitative:

Summer 2009 Programme Participants	7,491
Fall, Winter & Spring 2009-2010 Participants	9,064
Total Pool Attendance	22,446

Number of parks and public squares	17
Number of acres	700
Playgrounds	9
Swimming pools, outdoor	2
Swimming pools, indoor	1
Outdoor ice-skating facilities	5 (1 supervised)
Lighted tennis court (asphalt)	5
Unlighted asphalt tennis courts	10
Hardball (1 lighted)	3
Softball (1 lighted)	3
Little League	14
Basketball courts	6

Volleyball courts (lighted)	6
Fishing areas	7
Stadium	1
Soccer Fields	2
Horseshoe Pits	2
Ropes Challenge Course	1
Spray Parks	3

Expenditure and Position Summary

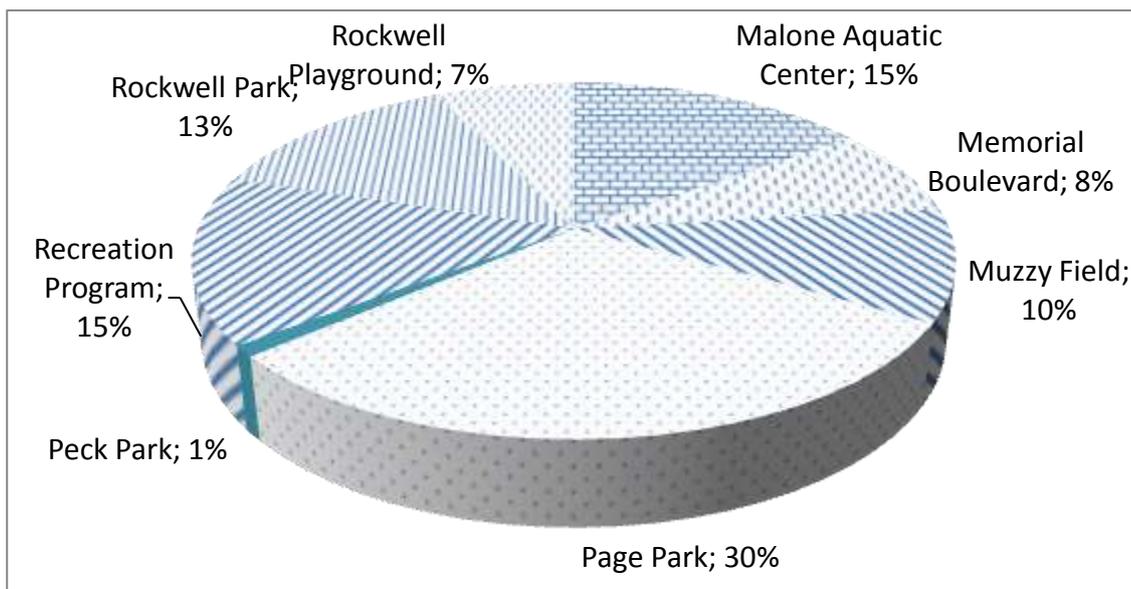
	2009 Actual	2010 Estimated	2011 Budget
Salary Expenditures	\$1,644,984	\$1,721,158	\$1,653,705
Full-time Positions	23	23	22

Additional Information

Internally, the Parks Department keeps an expenditure allocation, as shown in the Table and graph below. The allocation distribution is based on the time spent maintaining each park, and indicates what percentage of the budget is used. This is consistent with various Park trust languages. The percentages are based on the entire budget.

Birges Pond/Hoppers	1%	Page Park	30%
Malone Aquatic Center	15%	Peck Park	1%
Memorial Boulevard	8%	Recreation Program	15%
Muzzy Field	10%	Rockwell Park	13%
		Rockwell Playground	7%

Park Distribution



Parks & Recreation Trust Accounts

Trust Name	Purpose
Bristol City Goodsell Park/ Playground	Pay over to the Board of Finance of the City of Bristol for the care, maintenance, improvement, acquisition and extension of parks and playgrounds.
Page Dewitt Park Endowment	Pay net income annually to the City of Bristol upon request by said Board of Park Commissioners, at such times and in such amounts as said Board shall request, such sums of money as shall equal the amount of money appropriated and spent by the City in the development and upkeep of said Page Park, or in the erection and upkeep of building therein, in the planting of shrubbery, or in the acquisitions of land which may be acquired connected with or adjacent thereto, and in the care and maintenance of said Park for Park purposes. Said Trustee may also pay to the City of Bristol, upon request by the Board of Park Commissioners from time to time, from the principal of said Trust Fund, an amount, in addition to the income or accruals from said Trust Fund not to exceed \$10,000 per year, PROVIDED, a like amount, dollar for dollar, shall be expended by the City upon said Page Park; but in no instance and under no condition shall there be withdrawn from said Trust Fund yearly more than said sum of \$10,000 from the principal in addition to the total amount of the income and accruals.
Page May Rockwell	The Trustee shall annually pay to the City of Bristol an amount of money that will equal one-third of the appropriation for the maintenance of Page Park as disclosed in the annual budget for the City of Bristol as finally approved by the Board of Finance. Should future conditions result in the annual appropriation for maintenance of Page Park by the City of Bristol increasing to the point where income available to the city annually from the Dewitt Page Park Endowment Fund would not be sufficient to provide one-third of the appropriate, then and in that event only, the trustee in its sole discretion may increase the annual payment to the City of Bristol directed herein, by the amount of such deficiency. Recognizing the probability of net income remaining after the payment to the City of Bristol, the trustee in its sole uncontrolled discretion may distribute annually all or part of such remaining income to non-profits.
Page May Rockwell	1) Add all or part of the income remaining after payment of administration expenses to the principal of this trust; 2) Pay to the City of Bristol, upon the request of its Board of Park Commissioners, such amount as said Board may request for major repairs or replacements to the swimming pool or its related machinery and equipment; provided, however the trustee agrees with the Board of Park Commissioners that such an expenditure would constitute a major repair or replacement. The judgment of the trustee in this matter shall be final and conclusive; 3) Pay such expenditures as are provided in the preceding paragraph from either principal or income in the sole discretion of the trustee.
Page, May Rockwell fbo Rockwell Park	For the maintenance of Rockwell Park in said City of Bristol, I direct that so much of the net income there from as shall be needed for such maintenance shall be disbursed by the trustee from time to time upon the requisition of the treasurer, comptroller or other proper officer of the City of Bristol, accompanied by a detailed statement of expenditures made for the upkeep, improvement,

Trust Name	Purpose
	development, and beautification of said park, with power in my trustee to accumulate and add to principal any unexpended income. I further empower my said trustee, in its sole discretion, to pay to the City of Bristol such part of the principal as may be necessary for the repair or reconstruction of said park in the event of the destruction or serious damage to said park by flood or other major catastrophe.
Peck, Constant fbo Peck Park	If more money is needed for the purchase of the land, then such a remainder may be used for equipment or endowment- at the discretion of the Trustees.
Rockwell, Nettie fbo Memorial Blvd	To improve, beautify and care for the Rockwell Memorial Boulevard running from Main Street east to its junction with Riverside Ave and in the care, improvement and betterment of the property of the City of Bristol adjoining said Boulevard on the north and south sides thereof. Said expenditures from this fund shall be made with the approval of the above mentioned department of the government of the City of Bristol.

Case study 1: Pervasive Effects from Performance Financing Schemes: University Level

Juraj Nemec

Introduction

Measuring performance became an important part of administrative reforms motivated by the New Public Management (NPM) ideology. The idea that organisations should measure (and actively manage) their performance is also a core element of recent public sector reforms in many countries. However, measuring performance under public sector conditions represents a typical “wicked problem” (problem, which is difficult or impossible to solve).

Measuring performance, especially if the final goal is to compare states, organisations or to appraise, is a rather complicated task. A badly implemented system may create large pervasive effects and distort the behaviour of the actors.

This case shows the effects from performance financing schemes implemented at university level.

Description of the case

For more than ten years Slovak universities have been financed on the basis of performance and the main criteria are the number of students and research results. One clear outcome of the system, where most money flows according to the number of students, is an increased number of students during the first years after implementing the new formula based system (Table 1).

Table 1: Number of newly accepted students Slovakia

	1990/91	1995/96	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
New full-time students	13 404	20 809	24 279	24 270	26 974	24 150	32 488	35 542
% of new full-time students from 18 (19) year old population	15.9%	21.8%	27.2%	27.2%	30.4%	27.2%	36.7%	41.3%
New part-time students	1 868	3 881	9 665	12 763	8 057	15 057	15 718	17 254
Total	15 272	24 690	33 944	37 033	35 031	39 207	48 206	52 796

Source: MŠ SR

Formally, the performance system is transparent and fair. However, because more than 80 % of running costs grants are allocated via this mechanism, pervasive motivation is created. The management of a university can maximise the level of public grant by the maximisation of the number of accepted students. The outcomes are straightforward and can be proved – capacities of school buildings are overloaded, the level of entry examinations is decreasing, or such examinations may even be cancelled and all those interested, accepted. Lowering entry requirements and overloading capacities means a high risk of a lower quality of the final product (especially if the relationship between accepted and graduates is supervised by the Ministry of Education) – if the quality of marginal student decreases, the average quality will also decrease.

Summary and discussion issues

The Slovak data show that a performance financing scheme based on outputs may not secure either the accomplishment of the right objectives or finding the right way to achieve them.

Questions:

1. Do you have a similar situation (in any of the public sector segments) in Ukraine?
2. How can we limit the pervasive effects of performance financing schemes – especially in this concrete case?
3. The Slovak financing formula also includes publication outputs as the second financing dimension. What types of pervasive effects may be connected with this element?

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Case study 2: Programme Performance Budgeting at the Local Level in Slovakia

Juraj Nemec

Introduction

Medium-term programme performance budgeting was implemented in Slovakia during the major public finance reform after 2005 (step by step, beginning with the central level). It is also now compulsory at the municipal level for all municipalities with more than 2000 inhabitants.

This case describes the current situation and its evaluation – based on findings from the dissertation prepared by D. Bajusova at the University of Economics Bratislava.

Description of the case

The evaluation states that programme performance budgeting in Slovakia does not work and does not deliver the expected results. The SWOT analysis shows the main issues.

Table 1: SWOT part A: strengths and weaknesses

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • Freedom to set the programme structure • Availability of basic documentation on the MoF web 	<ul style="list-style-type: none"> • Top-down implementation. • Insufficient preparation support to municipalities. <ul style="list-style-type: none"> • PPB not welcomed by municipal employees (resistance). • Insufficient IT support. • Citizens not showing any interest. • Too many programmes used by small municipalities. • Wrong indicators and targets used. • Lack of implementation resources (financial and human). • Too complicated scheme. • Lack of training.

Table 2 : SWOT part A: opportunities and threats

Opportunities	Threat
<ul style="list-style-type: none"> • Increased transparency. • Supports efficiency improvements. • Represents a tool for cost analysis. • Can serve for benchmarking. • Improves internal and external control and audit potential. • Improves budget management and control. 	<ul style="list-style-type: none"> • In its current form administratively difficult to implement and maintain. • Time and resources consuming. • Lack of support by employees and deputies. • Missing implementation skills.

Summary and discussion issues

The Slovak data show that programme performance budgeting at the local self-government level does not deliver much from the point of view of a more effective and transparent public finance. More core reasons are proposed to determine this situation by D. Bajusova – especially top–down implementation, lack of local expertise, insufficient IT and lack of accountability.

Questions:

1. Can we expect a similar or much better situation in Ukraine? Why?
2. How do we prevent the above indicated failures?

References

Bajusova, D.: Programove rozpoctovanie v kontexte New Public Management. Ekonomicka univerzita Bratislava, 2013

Case study 3: Programme Performance Budgeting at the Municipal Level: Techniques

Juraj Nemec

Introduction

Medium-term programme performance budgeting was implemented in Slovakia during the major public finance reform after 2005 (step by step, beginning with the central level). It is now also compulsory at the municipal level, for all municipalities with more than 2000 inhabitants. The Slovak data show that programme performance budgeting at local self-government level does not deliver much from the point of view of a more effective and transparent public finance. More core purposes are proposed to determine this situation by D. Bajusova – especially top–down implementation, lack of local expertise, insufficient IT and lack of accountability.

This case shows the lack of local expertise problem.

Description of the case

We provide one – but fully representative - example of how the programme budget is constructed at municipal level (municipality with approximately 5000 inhabitants). Data was downloaded from the municipal web page.

Programme item:

1.4 General services

Programme vision: Maintained municipal buildings and spaces

Responsibility: Mayor

Budget (EUR)

2016	2017	2018
282 260	84 260	84 260

Programme goal: To guarantee functional and representative functioning of the municipal office building.

Programme indicator: Number of hours used to maintain cleanliness of the municipal building.

Period					
2014	2015	2016	2017	2018	
Target					
25	25	25	25	25	
Achieved					
25					

(Explanation – the programme includes all registry services, notary services, archives and the management of municipal buildings. The resources will be used to cover labour costs, purchases of goods and services and preparing of the project documentation for the reconstruction of two buildings – pension and grocery.

Summary and discussion issues

This example is a representative mirror of how the programme goals, indicators and targets are constructed in Slovak municipalities (SAO report confirms this).

Questions:

4. Can we expect a similar or much better situation in Ukraine? Why?
5. How do we prevent the above indicated failures?

References

Bajusova, D.: Programove rozpocetovanie v kontexte New Public Management. Ekonomicka univerzita Bratislava, 2013

Case-study 4: Performance Programme Budgeting: Formulating Goals, Objectives and Indicators

Nataliia Grynchuk

Introduction

In scientific publications it often happens that the approaches to the evaluation and financing of government agencies are portrayed as ridicule. As an example of a critical analysis on the productive budgeting principles we can cite the article of Ian D. Clark and Harry Swain “Implementation of the principles of results-based management in the public sector: distinguishing the real from the surreal (Proposals on administrative reform implementation in Canada)” (Clark Swain, 2006).

Application of theory in practice

The major issues of using results-based management in the public sector were narrowed down by the authors to the following:

- The Performance Management system is especially designed for the industrial and economic operations of a cyclic nature, consisting of simple production functions and has clear, unambiguous results;
- Most of the activities of public authorities are multi-purpose and many of the most important political tasks - for example, the protection of sovereignty or the maintenance of a sense of national pride - in principle - cannot be quantified and evaluated;
- The cause and effect relationship between an activity and its result in the public administration sector, as a rule, is rather weakly expressed. The consequences and results that truly represent the public interest are almost always dependent on several factors that are beyond the direct influence of public authorities;
- Between the beginning of such a process of activity and the receipt of the planned results, a sufficiently long period of time passes;
- Most performance indicators are inherently subjective, and their evaluation is associated with high costs, so that results-based management methods also cannot be objective and neutral in their consequences;
- Not all visual, measurable, quantifiable targets or indicators are unambiguously associated with the planned set of performance results, because we simply do not have such management techniques, the use of which would ensure the achievement of the clearly defined objectives;

- Focusing on quantitative targets can cause negative effects as well, such as the emergence of a limited vision of a problem: the underestimation of the significance of qualitative results; limiting interaction with other organisations (units) working to solve similar issues;
- Direct linking of targets with material resources and the rewards can stimulate direct deceit;
- Development of decent administrative and managerial structures, as well as their competent practical use is very expensive.

The authors analyse other issues, therefore, their points of view, "... in the real world of the government, the management is not so much a purely rational activity as an ability to adapt to the existing institutional environment and find a common language with specific members of the entire process."

Interestingly, the problems of the PPB implementation, identified by the authors of this article (Clarke and Swain, 2006), are not related to the shortcomings of the external environment – the lack of qualified personnel, and not the elaboration of procedures, etc., considering the problems of introducing new budgeting principles, but with the essential characteristics of these principles themselves. And it is obvious that they are relevant not only for Canada.

Goals of case studies

Such an ambiguous attitude towards result-oriented management and budgeting in the international professional community, revealed during the introduction of these instruments of complexity and contradictions, requires careful attention when applying the appropriate mechanisms under Ukrainian conditions.

Meanwhile, these problems are not usually discussed in this broader context. When declaring the transition to PPB, it was clearly defined for what purpose this tool should be used to achieve the best results with limited resources.

The primary focus was on the inner meaning of new budgeting mechanisms; approaches to setting goals, objectives and performance indicators; the structure of budget programmes and reports on their performance.

Description

A municipality formulated part of its PPB as follows:



The purpose of the budgetary programme is “carrying out repairs of the entrances and staircases in residential houses that are serviced by housing maintenance organisations and managing organisations”.

The task is “to prepare the housing fund for transferring it to the management of homeowner associations, direct management of the owners' of premises or administration of the management organisation”.

Results of the programme:

- “a significant reduction in the number of municipal elevators served the normative term of exploitation” (without reference to specific numerical values);
- “reducing operating costs by 10%”;
- “increase the comfort of living”;
- “modernisation and development of the outdoor lighting networks using advanced technologies”.

Questions

1. How would you formulate the goals and objectives of the budget programme?
2. What performance indicators would you suggest?

Conclusions

This paper does not aim to answer all the above contradictions and challenges. Its task is much more modest – to discuss the issue on how PPB tools can be used in municipal practice to ensure the effectiveness of local authorities' policies. Those aspects of the issues associated with the interaction between different levels of government, the organisation of the performance evaluation of municipalities from the centre, related to compliance with accountability or not of the local authorities in the application of this instrument, are beyond the scope of this paper.

The methodological approach is applicable in a case-study, since the primary goal is the determination of the management tool, and it should come out with the purpose of its design and inner content.

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Case Study 5: Performance Programme Budgeting in Ukraine at Local Level, 2017

Nataliia Grynchuk

Introduction

Most countries began to implement elements of Performance Programme Budgeting (PPB) in order to perform an effective budget policy. It is quite clear that each country has its own specifications caused by the peculiarities of their economic system. Besides, each country has its own definitions, productivity management or efficiency management. But, in general, one can distinguish these methods as budgeting methods which are aimed at a socially significant result. These methods are aimed at achieving a particular result, which is usually long-term and should respond to social needs. Robinson M. pointed out that “it is necessary to use information about the results of the activities systematically. It will give the possibility to choose by priority the budget propositions of the competing programmes, based on the typical programme classifications of expenditures” (Robinson M., 2007). At the same time, results-based budgeting is the integration of result performance information in the process of budget development implementation and results achievement (Lim A.). B. Navin pointed out that “programme-target budgeting foresees essential changes in the budget format by means of establishing more rigorous development standards and expenditure planning”. Besides, such a budget format is a unique tool for the decision-making process but it is not a way of reducing expenditures (Navin B.). R. Hacket singles out the definition of programme-target budgeting in his book: a systematic method of setting the main purpose of any activity, goal, and task of an organisation and the control of its activity in the budget assessment process by means of integration of its expenditures, results and efficiency of outputs (P. Hacket, 1999).

Application of theory in practice

PPB in Ukraine, as well as a complex analysis of the efficiency and advisability of sector and horizontal expenditures and an increase in the transparency and accountability level are the main part of the public finance management system, the development of which is provided by the Public Finance Management Strategy for 2017-2021 years, approved by the Cabinet of Ministers of Ukraine. Implementation of the effective planning and assessment systems of the budget performance on the basis of the results, improvement of the state expenses efficiency – transition from institutional maintenance up to delivering good public services, the budget decentralisation process support by means of a clear distribution of powers and resources and local budget accountability support are the main tasks of the Strategy.

All these methods have the same goal, which is aimed at achieving a particular, usually long-term result, which responds to social needs. As this result must be rather objective, measurable and predictable, the budgeting quality assessment system as well as budget policy efficiency in general, are the peculiarities of such a budgeting method.

Goals of the case study

The assessment of the further case of PPB in Ukraine depicts the problem issues and approves the process difficulties at the local budget level, especially the level of the amalgamated local communities (ALC).

Description

PPB in Ukraine is used at public budget level and sometimes at local budget level. It gives the possibility to monitor the efficiency and effectiveness of budget expenditures by using the information about effective indicators and other indicators, which are included into budget requests, budget programmes profiles, and reports on budget programmes implementation.

Ukraine: Local Budgets that have already implemented PPB, dated January 1, 2017

Oblast (region)	Total number of local budgets			Number of budgets that began PPB in January 2017	
	Total	Including:		Total	Including ALC
		Oblast, cities of oblast subordination, rayon, amalgamated local communities (ALC) budgets	Including ALC budgets		
Vinnitsia	689	55	21	579	21
Volyn	384	36	15	35	14
Dnipropetrovsk	326	69	34	70	34
Zhytomyr	478	60	32	61	32
Zakarpattia	345	22	3	22	3
Zaporizhia	286	42	16	42	16
Ivano-Frankivsk	482	32	11	37	11
Kyiv (oblast)	681	40	2	40	2
Lviv	667	52	22	55	22
Mykolaiv	281	44	19	44	19

Odesa	478	45	11	45	11
Poltava	482	50	18	53	18
.....					
Total	10 101	998	366	1 493	358

According to the data of the State Treasury Service of Ukraine

Hence, 998 of the local budgets of Ukraine (oblast, cities of oblast subordination, rayon, ALC budgets) interrelate directly with the State Budget as of at January 1st, 2017. Paragraph 18 of the Transitional Provisions of the Budget Code of Ukraine foresees the obligatory use of PPB in the budget process-2017 for these local budgets. All other communities (about 10 000 towns, settlements and villages) can implement PPB according to their local council's decision (this is recommended by part 1, article 20 of the Budget Code of Ukraine). Taking into account that 900-1000 ALC will be organised in 2017-2020, one can conclude that about 2000 local budgets in Ukraine will have to use PPB in the budget process.

Issues of PPB at Local Level in Ukraine

Indicators	Description
Complicated, outdated and complex regulatory framework	Assessment of the budget programmes' efficiency is performed according to the method determined in the Letter of the Ministry of Finance of Ukraine, 19.09.2013 № 31-05110-14-5/27486, and at the same time by the method determined by the Decree of the Ministry of Finance of Ukraine, 17.05.2011 № 608. At the same time, one should mention that these methods realise principally different approaches to assess the budget programmes' efficiency.
	The Order of the Ministry of Finance of Ukraine, 30.11.2012 №1260 "About the changes in the draft list of the performance indicators of the budget programmes for local budget expenditures, which are not considered when deciding the amount of inter-governmental transfers" is still in force. Amongst all the Ministries, only the Ministry of Youth and Sport of Ukraine updated (in November 2016) its order with the typical list of budget programmes and the performance indicators for local budgets. It enlarged the budget programmes by implementing sub-programmes, upgrading programmes, sub-programmes, goals and performance indicators by area.
Difficulties in the procedure of making corrections in a passport	According to the Rules of Preparation of Budget Programmes Passports (Order of the Ministry of Finance of Ukraine 26.08.2014 №836), if any changes in the budget distribution cause changes of information and indicators in the passports, the main budget administrators have to submit updated passports for approval in two weeks. One should also mention that changes to the local budget distribution, network of institutions, their staff and clients, are possible more than once a year. It makes it necessary to approve a new edition of the passport each

Indicators	Description								
	time. For example, there were 1615 notes about changes to the local budget distribution of Mykolaiv town in 2016.								
Issues of control that are not regulated, especially public control	Current legislation does not foresee any procedure for public control of the budget programmes implementation (Budget Code, other sectoral legislation).								
Weak sides of the assessment method, unlimited number of assessment indicators of budget programmes	<p>The Decree “On the Prevention of Financial Catastrophe and Creating Prerequisites for Economic Growth in Ukraine” (27.03.2014 №1166-VII) changes the Decree “About the State Support of Families with Children” (21.12.1992 №2811-XII). The state support to families for a child’s birth does not depend on how many children are born.</p> <p>The performance indicators of the programme “Financial Assistance for Child Birth” include 6 indicators:</p> <table border="1" data-bbox="456 831 1437 1352"> <tbody> <tr> <td data-bbox="456 831 667 1111">Indicators of output</td> <td data-bbox="667 831 1437 1111"> 1) number of families who receive monthly assistance for giving birth to their first child; 2) number of families who receive monthly assistance for giving birth to their second child; 3) number of families who receive monthly assistance for giving birth to their third child. </td> </tr> <tr> <td data-bbox="456 1111 667 1352">Efficiency indicators</td> <td data-bbox="667 1111 1437 1352"> 1) average amount of monthly assistance for families who gave birth to their first child; 2) average amount of monthly assistance for families who gave birth to their second child; 3) average amount of monthly assistance for families who gave birth to their third child. </td> </tr> </tbody> </table> <p>At the same time only two indicators are sufficient :</p> <table border="1" data-bbox="456 1391 1437 1603"> <tbody> <tr> <td data-bbox="456 1391 715 1491">Indicator of output</td> <td data-bbox="715 1391 1437 1491">number of families who receive monthly assistance for giving birth to a child</td> </tr> <tr> <td data-bbox="456 1491 715 1603">Efficiency indicator</td> <td data-bbox="715 1491 1437 1603">average amount of monthly assistance for families who gave birth to a child</td> </tr> </tbody> </table> <p>Order of the Ministry of Finance of Ukraine, January 10, 2010 № 1147 approves the objectives and performance indicators that can be introduced into the Public Administration budget programme, in particular:</p> <ol style="list-style-type: none"> 1) Number of letters received, requests, applications and appeals; 2) Number of legal acts approved. <p>However, there is no indicator of the main functions of the executive bodies in the list.</p> <p>For example, the following indicators can be output indicators of the social policy department:</p>	Indicators of output	1) number of families who receive monthly assistance for giving birth to their first child; 2) number of families who receive monthly assistance for giving birth to their second child; 3) number of families who receive monthly assistance for giving birth to their third child.	Efficiency indicators	1) average amount of monthly assistance for families who gave birth to their first child; 2) average amount of monthly assistance for families who gave birth to their second child; 3) average amount of monthly assistance for families who gave birth to their third child.	Indicator of output	number of families who receive monthly assistance for giving birth to a child	Efficiency indicator	average amount of monthly assistance for families who gave birth to a child
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Indicator of output	number of families who receive monthly assistance for giving birth to a child								
Efficiency indicator	average amount of monthly assistance for families who gave birth to a child								

Indicators	Description
	1) Number of financial assistance and compensations: appointed and paid; 2) Number of subsidies: appointed and paid; 3) Number of exemptions: appointed and paid; 4) Number of tender procedures conducted.
Restricted opportunities of the PPB information support	The programme support system (Automatic Information System «Local Budgets of Town and Rayon Levels») used by local financial bodies for the aggregation, control and analysis of budget costs and revenues, does not give aggregated information about the monitoring of total costs by sector, but only the information in the frame of budget programmes. It prevents making aggregated data for budget management and making statistic information exchange, and so on.
Typical issues for amalgamated local communities (ALC)	<ul style="list-style-type: none"> • Weak relationship between the regulation acts on planning of socio-economic development and local budgets; • Lack of a transition period for ALC when implementing PPB; • Absence of departments and professionals responsible for general planning and for PPB in particular; • Lack of the chief managers who will control the legal entities' funds of the area budget programmes; • Low competence level of the public officials, local councillors of the ALC, members of the executive council of the ALC; • Absence of decent statistic information about ALC; • Resistance to change by public officials and institutions.

(Слобожан О., 2017)

Conclusions

The latest analysis result certifies that Ukraine is not ready to implement properly this financial technology at the local budget level. At the same time, in conditions of financial decentralisation, intensive local authority responsibility in spending budget funds as well as the expansion of their financial autonomy, PPB implementation provides better efficiency of financial resources utilisation and better service delivery for a community.

Questions for discussion

1. Is there any issue of PPB in your region, similar to that described?
2. What should be done first to solve the current situation?
3. Which international experience can you recommend to enhance legislative regulation of the documents?

4. What are the possible ways to engage citizens in PPB? Which public monitoring procedures of programme budget implementation should be used?
5. How do you provide a proper link between the regulatory acts on planning socio-economic development and local budgets?
6. Can low-level qualifications of public officials, MPs, members of executive committees be an obstacle for PPB implementation? In which way can we overcome their resistance?
7. Please describe the main principles/approaches of budget programmes efficiency evaluation.

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