Secrétariat du Conseil du Trésor du Canada

Treasury Board of Canada Secretariat

The Roles of Key Institutional Factors - Canada

Bruce Stacey: Executive Director, Treasury Board Secretariat

Performance Based Budgeting – Prospects for Poland

October 2nd & 3rd 2008

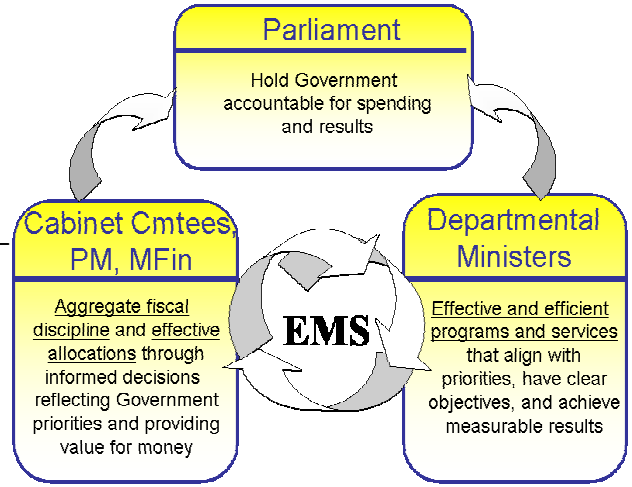
Canada

The Expenditure Management System in Canada is decentralized between central agencies, each with specific roles

Finance Department

•Ensures aggregate fiscal discipline is maintained by:

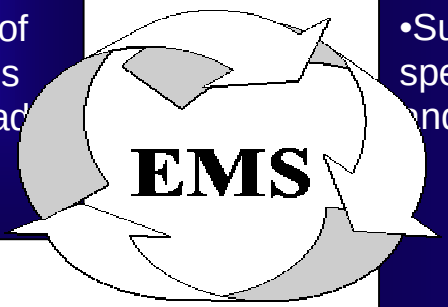
- •Establishing fiscal framework & determining total spending levels
- •Budget



Privy Council Office

•Support elected government in establishing priorities and meeting these through the effective allocation of spending to government priorities by

- • Supporting Prime Minister & Cabinet Committees
- •Managing flow of Cabinet business
- •Facilitating broad Govt policy development



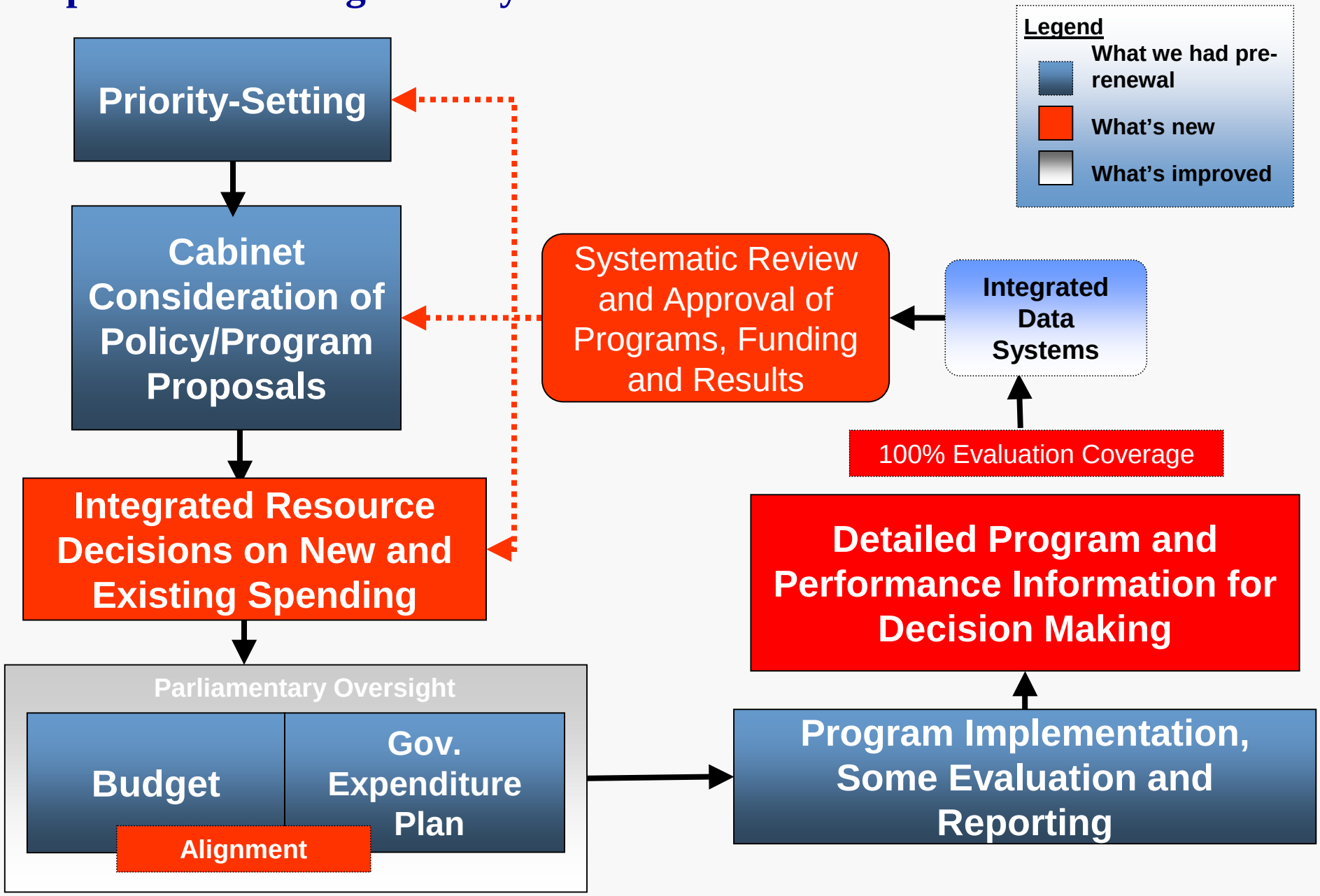
Treasury Board Secretariat

•Supports Treasury Board (TB) in effectively allocating spending in manner that ensures operational efficiency and effectiveness by:

- •Establishing and monitoring adherence to TB management policies (financial & non financial)
- •Supporting TB approval of detailed operational plans & recommendation of resource appropriations for new programs
- •Supporting TB determination of resource needs / investment opportunities for existing programs

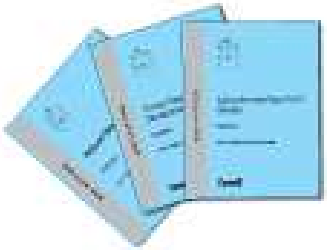
How to motivate politicians - Ministers

Political engagement at the Cabinet level is a main feature of the new expenditure management system …



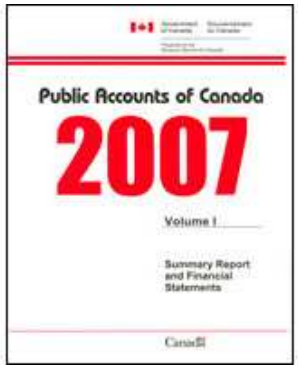
How to motivate politicians – Members of Parliament

Key Parliamentary Reports



- **Main Estimates**
  - Part I: Government Expense Plan
  - Part II: Main Estimates (in support of the Appropriation Act)
- **Part IIIs**
  - Reports on Plans and Priorities (RPPs), support committees in reviewing supply
  - Departmental Performance Reports (DPRs), actual achievements against the expected results in the RPP
- **Supplementary Estimates**
  - Usually two per year

Parliamentary Reports cont.



- **RPP Overview for Parliamentarians**
  - helps parliamentarians and their staff to navigate through the 91 RPPs (2007-2008)
  - provides a whole-of-government view of planned spending

- **Canada's Performance**
  - Provides an overview of and helps parliamentarians and their staff navigate through the 90 DPRs (2006-2007)

- **Public Accounts**
  - In three volumes, covering financial performance for most recently completed fiscal year

Layered Reporting allows a continuous "drill down" from the most aggregate to the most detailed …

Whole-of-Government – Layer

Aggregate information on Spending and on Plans and Performance in:

- Whole-of-Government Overview for RPPs
- Canada's Performance

Departmental – Layer

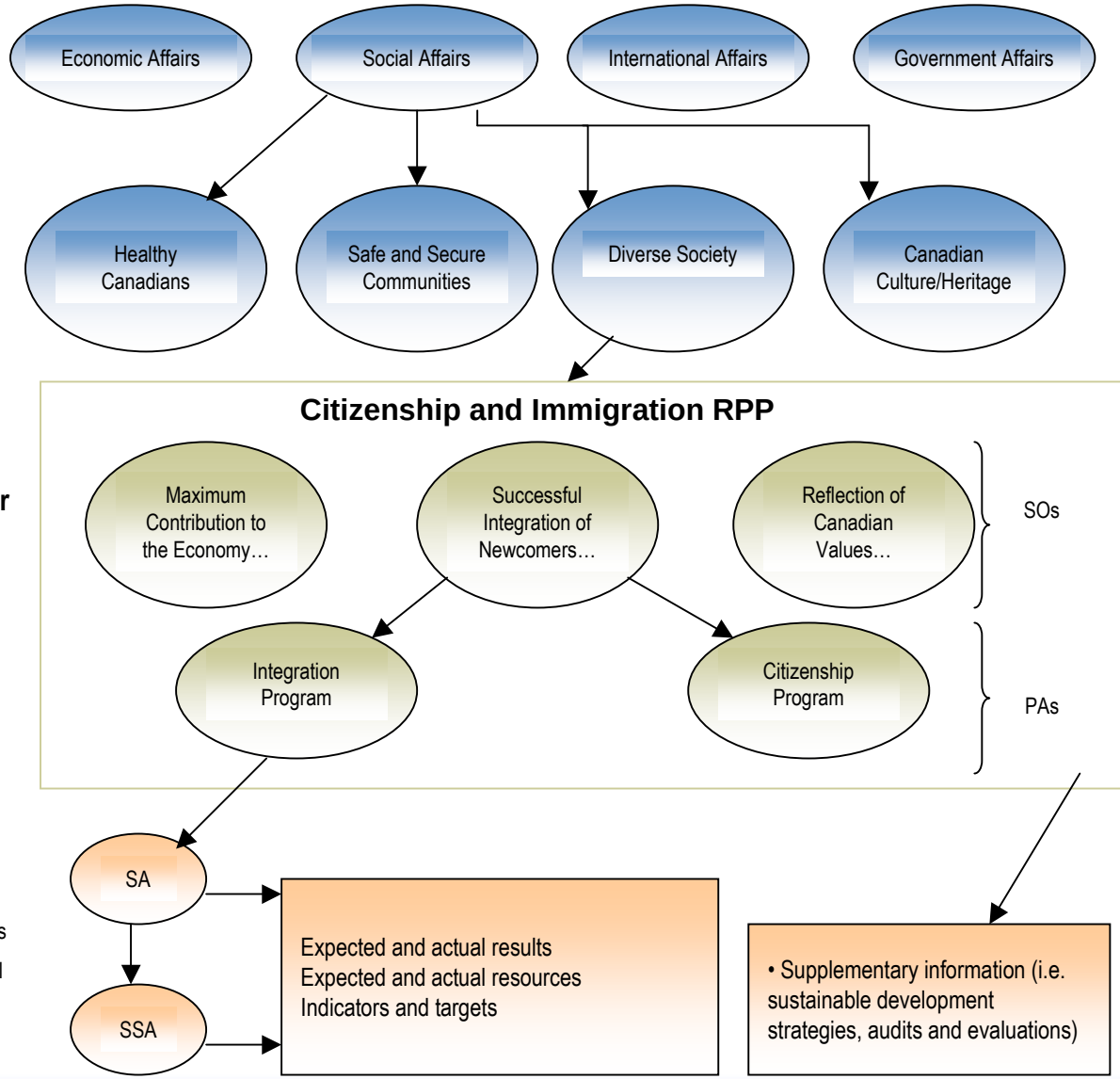
High-level departmental information on:

- Spending, Planning and Performance Indicators
- in concise RPPs and DPRs (30 pages or less)

Electronic – Layer

Detailed information on specific programs and policies

Links to databases and useful policy documents



Comprehensive, Layered, Continuous:

User is able to continuously drill down from the Whole of Government level to detailed financial and non-financial information at the lowest level of the PAA

Each department has its own internal audit unit, and there is a national Auditor General

- Auditor General reports to Parliament
- Audits government performance reports
- Audits departmental and government-wide public accounts
- Many performance audits
- Government must respond

What could the roles for NGOs in popularizing the ideas of PBB?

- Challenge governments for results to justify program spending
- Can go both ways both positive and negative

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Panel 1: Opportunities & challenges in introducing performance based budgeting - Canada

Bruce Stacey: Executive Director, Treasury Board Secretariat

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Expenditure Management System (EMS) Renewal – Overarching Objectives

- Management Excellence

  Better advice to Cabinet in order to:

  - ✓ *Meet government priorities*
  - ✓ *Ensure value for money*
  - ✓ *Deliver high-performing programs and services to Canadians*

- Fiscal Credibility
  - ✓ *Control of overall growth of program spending*

EMS Renewal represents a fundamental change in how Government manages tax dollars

→ It is about responsible spending and sound management

Three Pillars Supporting EMS Renewal

1. Up-front Discipline

New Spending

- ✓ *Critical information for Cabinet decisions*

2. Strategic Reviews

Existing Spending

- ✓ *Ongoing advice to Cabinet to align spending to government priorities and ensure performance and value for money*

3. Managing for Results

All Spending

- ✓ *Benchmarking our programs and demonstrating results for Canadians*

1. Up-Front Discipline (new spending)

- To manage overall spending growth and drive for excellence in program delivery and services, the government needs a disciplined approach to new spending anchored in Ministerial Mandate Letters

- All new spending proposals will require:
  - ✓ Clear measures of success
  - ✓ Solid information about how the proposal fits with existing spending
    - – What results are being achieved in related areas?
    - – How does the new proposal link up to existing spending?
    - – Are there opportunities for realignment?
    - – Provide reallocation options for funding

More upfront discipline on spending means more up-front work by analysts at the Memorandum to Cabinet (MC) stage

2. Strategic Reviews (existing spending)

- Strategic Reviews will:
  - ✓ Ensure alignment with government priorities, effectiveness, efficiency and value for money
  - ✓ Be managed by the Treasury Board and the Secretariat
  - ✓ Be presented to Cabinet as part of Budget preparation
  - ✓ Identify the lowest-performing 5 per cent of programs and reallocate that funding to higher priorities
  - ✓ Involve expert outside advice on each Review to ensure neutrality and credibility

TBS: renewed focus on program performance and advice to TB on integrated budget decision-making on new and existing spending

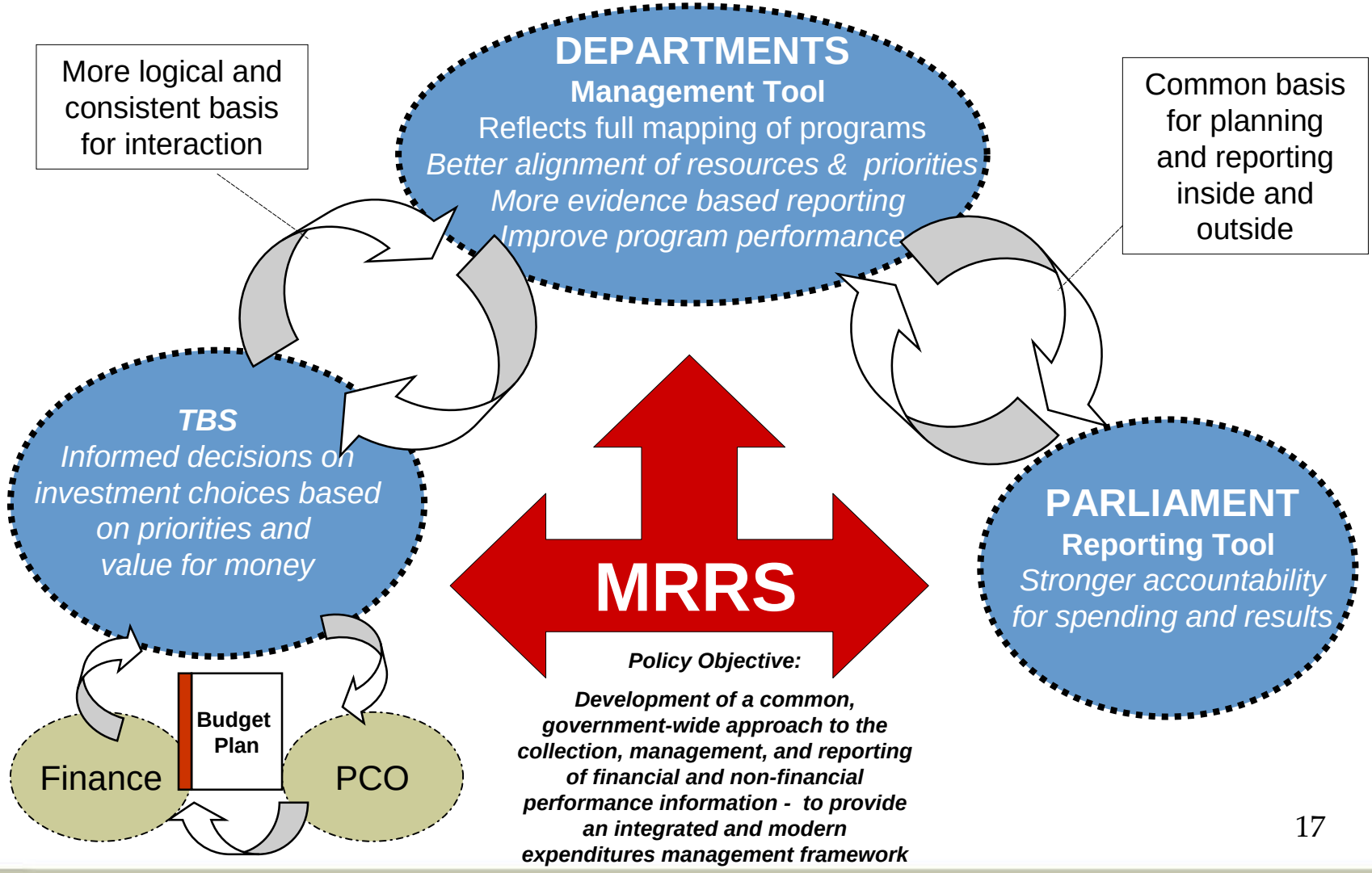
3. Managing for Results (all spending)

- All departments will drive towards excellence in the management of all their programs and spending, achieving concrete results for Canadians

- This means all programs and all spending will:
  - ✓ Have clear expected results and measures of success
  - ✓ Be formally assessed and evaluated on a regular basis
  - ✓ Report on results expected and achieved

Requires focus on program performance, relevance, and alignment, not just dollars spent

The MRRS is an approach that enhances decision-making



Policy Objective:

Development of a common, government-wide approach to the collection, management, and reporting of financial and non-financial performance information - to provide an integrated and modern expenditures management framework

The Program Activity Architecture

Policy requirements for Strategic Outcomes incl:
Performance Measures

Policy requirements for each program activity element include:

Program title & description

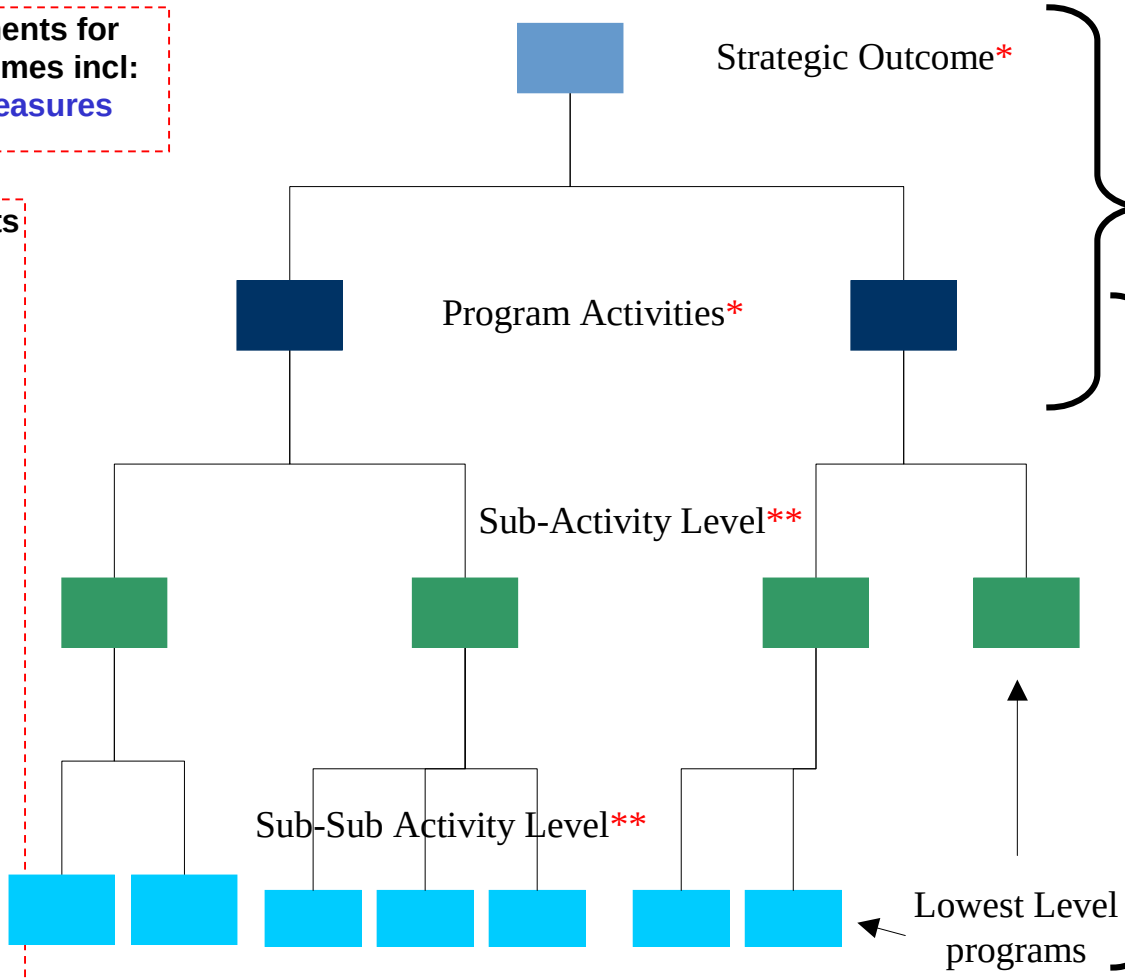
Expected results

Performance measures

Planned & actual spending

Target & actual results

Governance



Accountability levels to Parliament (Estimates & Public Accounts)
***require TB approval, incl. major & minor changes**

Departmental PAA: reflect the inventory of all the programs of a department depicted in their logical relationship to each other and to the SO(s) to which they contribute

****require TBS approval**

Questions

- Will PI-B be the main functioning model of PPB in OECD Countries?
- What are the predictions on developing systems of PPB in the next decade?
- What are the main obstacles for continuing developing this system?

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Panel 2: Performance audit as a tool for improving effectiveness & efficiency of public financial management - Canada

Bruce Stacey: Executive Director, Treasury Board Secretariat

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Evaluation

2001 Policy	New Policy Suite
Policy Focus: • Evaluation is presented as a tool to help managers manage for results • Ministers and the deputy head are "just" two of the many "clients" of evaluation	**Policy Focus**: • Evaluation is to inform management AND resource allocation within departments and government-wide • Ministers and deputy heads are the primary "clients"
Evaluation Coverage: Silent on coverage and evaluation cycle – haphazard coverage – many program areas not evaluated over long periods of time • Same "evaluation effort " applied to each program – many management process improvement evaluations but few on value for money or effectiveness • No provision for small agency capacity	**Evaluation Coverage**: • Regular and systematic coverage of all direct program spending, within a set (5-year) cycle • Only those evaluations that assess relevance and performance count toward the coverage requirement • Evaluation effort to be calibrated in accordance with program risk and availability of performance information • Application to small agencies deferred – G&Cs mandatory but other programs at the discretion of DH
Governance, Functional Neutrality& Quality • Silent • Evaluation standards expressed as a general statements of principle	**Governance, Functional Neutrality& Quality** • Specific provisions on reporting relationships for Head of evaluation, R&R of dept. evaluation committee • DH to adequately resource evaluation function • Clear Standards

Value For Money Core Issues for Evaluations

Issue #1: Continued Need for Program (Assessment of the extent to which the program continues to address a demonstrable need and is responsive to the needs of Canadians)

ex.: To what extent do the specific need(s) that the program was intended to address persist?

Issue #2: Alignment with Government Priorities (Assessment of the linkages between program objectives and (i) federal government priorities and (ii) departmental strategic outcomes)

ex.: Have the government's priorities changed since the implementation of the program and is the program supportive of them?

Issue #3: Consistency with Federal Roles and Responsibilities (Assessment of the role and responsibilities for the federal government in delivering the program)

ex.: Does the program duplicate or overlap with other programs, policies or initiatives delivered by other stakeholders?

Issue #4: Achievement of Expected Outcomes (Assessment of progress toward expected outcomes (including immediate, intermediate and ultimate outcomes) with reference to performance targets and program reach; Assessment of program design, including the linkage and contribution of outputs to outcomes)

ex.: To what extent have the program's expected results been achieved and should alternative program design be considered?

Issue #5: Demonstration of Efficiency and Economy (Assessment of resource utilization in relation to the production of outputs and progress toward expected outcomes)

ex: Are the most appropriate and efficient means being used to achieve the program's outcomes and could the same results be achieved with less money? Have all resources originally allocated for this program been used?

The Management Accountability Framework sets out expectations …

Governance & Strategic Direction

The essential conditions – internal coherence, corporate discipline and alignment to outcomes -- are in place for providing effective strategic direction, support to the Minister and Parliament, and the delivery of results.

Public Service Values

By their actions departmental leaders continually reinforce the importance of PS Values and Ethics in the delivery of results to Canadians (e.g.: democratic, professional, ethical and people values).

Policy and Programs

Departmental research and analytic capacity is developed and sustained to assure high quality policy options, program design and advice to Ministers.

People

The department has the people, work environment and focus on building capacity and leadership to assure its success and a confident future for the Public Service of Canada.

Citizen Focused Service

Services are citizen-centred, policies and programs are developed from the 'outside in', and partnerships are encouraged and effectively managed.

Risk Management

The executive team clearly defines the corporate context and practices for managing organizational and strategic risks proactively.

Stewardship

The departmental control regime (assets, money, people, services, etc.) is integrated and effective, and its underlying principles are clear to all staff.

Accountability

Accountabilities for results are clearly assigned and consistent with resources, and delegations are appropriate to capabilities.

Learning, Innovation and Change Management

The department manages through continuous innovation and transformation, promotes organizational learning, values corporate knowledge, and learns from its performance.

Results and Performance

Relevant information on results (internal, service & program) is gathered and used to make departmental decisions, and public reporting is balanced, transparent, and easy to understand.

Assessing management performance using the Management Accountability Framework …

- Annual process
- Treasury Board analysts assess 21 areas in each department - performance information, evaluation and reporting are included
- Assessment criteria (lines of evidence) are established in advance
- Assessments are evidence-based
- On line templates with controlled access - disagreements occur but TBS tends to be firm
- Assesses overall management capacity of a department and identifies government-wide weaknesses
- Assessments factor into the performance appraisals of Deputy Ministers

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Panel 4: Indicators and evaluations the good and the bad - Canada

Bruce Stacey: Executive Director, Treasury Board Secretariat

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Departments must ensure a high quality performance measurement framework is developed

- Certain logical steps should be taken:
  - ✓ Program managers must be involved in developing their performance metrics
  - ✓ If you have an evaluation division they should review and be in agreement
  - ✓ There should be one official set of measures, and they should not change a lot
  - ✓ Ensure that a system will be in place for collecting the data
  - ✓ Ensure that the resources are available for collecting the data

Performance measurement framework - Performance Indicators

- When selecting performance indicators, it is important to consider the following factors:

  - ✓ Choose appropriate indicators: Select performance indicators that can demonstrate and appropriately reflect a program's or department's progress in achieving its expected results
  - ✓ Keep it simple: State indicators in the simplest manner for an outside audience
  - ✓ Keep it clear: Reader should know exactly what will be measured
  - ✓ Comparability: Select indicators that can be tracked and compared over time – ratios percentages, measurement scales are the best. Make qualitative data quantifiable though use of a scale (e.g. 1----10)
  - ✓ Timing: Use a combination of both short-term (1-2 years) and longer-term (2-5 years) indicators. This will help to to create a balanced performance measurement framework that will enable a department to tell a more powerful performance story
  - ✓ Feasibility and cost: Consider the ease and cost associated with the data collection

Performance measurement framework - Performance Indicators

- Be innovative and strive for excellence:
  - ✓ Look at other jurisdictions, other statistical agencies in Canada and reputable organisations that collect data e.g. Canadian Philanthropic Society, business organisations etc
  - ✓ Look at other jurisdictions and see how they measure similar programs
  - ✓ Look at international organisations that collect data e.g. OECD, IMF World bank
  - ✓ Look at possibilities of adding questions to existing surveys for minimal costs
  - ✓ Ask statistical organizations or other agencies to customize data
  - ✓ Seek out statistical units in departments
  - ✓ Use existing data to create new ratios
  - ✓ Use existing academic and other research that have established correlations between two variables to develop proxy measures (where data is more available)
    - Number of family gatherings per year may be an indicator of social inclusion
  - ✓ Or create a simple index measure from existing data if needed
- Always focus on: do these measures allow me to manage my program and tell a convincing program performance story to someone outside your organisation

Performance Indicators: Attributes of Good Ones

- Valid: Measures should be a good indicator of effectiveness or efficiency, and must be appropriate to the objective of the service. Do they measure what they should?
- Reliable: A performance measure must represent the same type of phenomena in all cases and at all times; performance data are useful only in comparisons.
- Control: To what extent is the measure controllable by the program (and people) whose performance is being measured?
- Complete: One measure is usually not enough to assess performance; a set of measures can better account for the effectiveness and efficiency of a program.
- Useful: Are the measures actually useful and, in particular, are they integrated with management needs?
- Relevant: Are the performance indicators relevant to the needs and objectives of the organization? Do they measure aspects of performance central to the efficient and effective delivery of quality services?
- Cost: Gathering performance data has costs. The benefit derived should not be surpassed by the cost of collection, processing, and distribution.
- Feasible: Can we actually collect the performance data required?

Performance Indicators: More Attributes of Good Ones

- Accurate: Measures should be selected with reference to whether it is feasible to confirm the accuracy of reported results.
- Appropriate: Are the measures (or indicators) properly defined given the program to which they relate?
- Unique: Does the measure reveal some important aspect of performance that no other measure does?
- Clear: Measures need to be understandable. Complex, technical measures may be of little help to those who will use the information on a regular basis.
- Timely: Can the performance measures actually be calculated within a reasonable time frame?
- Potential for encouraging strange behavior: Will the measure result in behavior that is contrary to the objectives of the organization?

Performance Indicators: So: What Kind of result is it?

	Output	Immediate Outcome	Intermediate Outcome	Final Outcome
When does the result happen?				
During activities.	☑			
Close in time following activities.	☑	☑		
After some other outcome.			☑	☑
A long or unknown amount of time after.				☑
Where does the result happen?				
Within the immediate reach of the program.		☑		
Outside the department.			☑	
Beyond government.				☑
Why does the result happen?				
There is a direct, almost 1-to-1 relationship between the program and the result.		☑		
The program has real influence but other things might also be at play.			☑	
Can't support a strong link, but there is face value in saying the result is related.				☑

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This is our framework for prioritizing and allocating evaluation effort

Program Factors	High	Medium	Low
Size of population affected or targeted by the program	large	moderate	small
Consequences if the program or infrastructure risk materializes	severe	moderate	slight
Probability of the program or infrastructure risk materializing	High/frequent	Moderate/occasional	Low/infrequent
Degree of control or influence by the department	high	moderate	low
Time available to prevent, mitigate, avoid risk	< 1 year	1 to 2 years	> 2 years
Materiality	< $x annual budget or expenditure	Between $x and $y	> $y
Public confidence / political sensitivity	Frequent, sustained & broad stakeholder criticism	Occasional, select stakeholder criticism	Little or no stakeholder criticism

Framework for Prioritizing and Allocating Evaluation Effort (continued)

Quality of Performance Information Available	High	Medium	Low
Sound underlying program theory	Not articulated. Little or no evidence available on soundness of program theory.	Vaguely defined. Limited, weak evidence available on soundness of program theory.	Clearly articulated. Strong, substantive evidence available on soundness of program theory.
Robust performance management framework	Not developed	Developed and being implemented	Developed, implemented and being used to support decision-making
Quality evaluation	No evaluation completed in the past 5 to 8 years	Evaluation completed in the past 5 to 8 years but of limited quality	Objective, neutral, quality evaluation completed within the past 5 years
Continued relevance of existing performance information	Policy or strategic direction change to be implemented within 2 years	Policy or strategic direction change to be implemented in 2 to 4 years	Policy or strategic direction change to be implemented in 4 or more years
Time available to generate required performance information	Evaluation required within 2 years	Evaluation required within 3 to 4 years	Evaluation required in 4 or more years