

# **Australian Experience with Performance Budgeting**

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Since the 1970s the Australian Public Sector (APS) has undergone some of the most significant changes in its entire history.

The fundamental changes in the organization and administration of the APS have been direct responses to create more efficient, effective and accountable public sector.

Central to these changes has been performance measurement and programme evaluation.

The reforms of the 1980s led to a fundamental shift away from a preoccupation with programme inputs and processes to an emphasis on outputs, outcomes and results. These reforms were directed at making the APS more efficient, effective and accountable for performance and improving the responsiveness of the public sector to the needs of its clients.

Financial Management Improvement Programme (FMIP) was an umbrella mechanism to aid the implementation of managerial reforms throughout the APS

- Streamlining the budget formulation process and simplifying and updating the rules regulating public financial management;
- Improving the system by which departments and agencies make decisions, manage and evaluate achievements;
- Enhancing public accountability and scrutiny.

## Reform initiatives introduced in the APS became known as “Managerialism” in the public sector

- (1) clear, consistent objectives – detailed in corporate plans, performance agreements and individual programmes;
- (2) greater managerial autonomy – through delegation of ministerial authority, devolution of managerial authority to lower levels of the organization, and management training;
- (3) performance evaluation – through the development of performance indicators at the organizational and individual programme levels;
- (4) rewards and sanctions for senior public service managers;
- (5) competitive neutrality for commercial authorities.

*Underlying these changes is a requirement that “performance” is measurable and reported via indicators, and that programmes are evaluated.*

In 1988, the Australian Government endorsed an evaluation strategy, which had three main objectives:

- (1) to provide a better information base to assist managers in improving programme performance;
- (2) to assist government decision making and prioritization, particularly in the budget process;
- (3) to contribute to improved accountability to parliament and the public.

## The main elements of the strategy were:

- Better integration of major programme evaluation activities within the central budgetary process through the preparation of portfolio evaluation plans (PEPs);
- Development, by departments and agencies, of agency evaluation plans (AEPs) for the systematic evaluation of all their programmes over a three to five year period;
- Requirement that the results of major evaluations should normally be publicly released;
- Requirement that new policy proposals include an evaluation plan; and measures to improve evaluation skills throughout the APS.

## Application for Ukraine

- There is a need to implement budget performance mechanism in Ukraine;
- Performance evaluation – through the development of the set of performance indicators for each government programme is a must for increasing efficiency of the Ukraine's public sector;
- Introduction for all government programs zero-based budget approach;
- An enhanced external and internal audit function can play a key role in reinforcing the reforms in Ukraine;
- Decentralization of public finance with a shift of emphasis on local level;
- Introduction of the competition for funds between different government programs, which is based on a clear performance criteria.