

Trust in Government and Value of Money from Public Spending

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Korea Institute of Public Finance

336, Sicheong-daero, Sejong-si, Korea

Tel: 82-44-414-2114 Fax: 82-44-414-2179

URL: www.kipf.re.kr

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Introduction: Trust in Government and Value for Money from Public Spending

Nowook Park (Korea Institute of Public Finance)

Trust in government became one of headline issues during the Covid 19 crisis, while it has been one of important public policy issues due to intensifying economic and political polarization in many countries. Without trust in government, government policies cannot gain supports from its constituency and be effectively implemented. It has been vividly demonstrated during the Covid 19 crisis: People who do not trust government do not comply with government guidance, resulted in low vaccination rate in some advanced countries despite ample supply of vaccine.

OECD reports that trust in government is deteriorating in many OECD countries. In 2019, only 45% of citizens trusted their government,¹⁾ although the level of trust was recovered to the level of pre-global financial crisis. The impact of Covid 19 crisis to the trust in government is remains to be seen.²⁾ Despite increasing government spending and expanding its roles, citizen's trust in government has not been improving in a significant way.

The Korea Institute of Public Finance held its 8th annual Forum on the Government Performance in September 5th and 6th of 2019 with a focus on “trust in government and value for money from public spending”. The 8th KIPF Forum on Government Performance intended to provoke discussions on how governments can secure trust and value for money from public spending. The background of the forum was two folded, which is very relevant today, too: the erosion of trust in government and increasing demand for public spending with deteriorating fiscal situation.

First, trust in government is eroding globally, which is manifested as a rise of extreme political movement in many countries and captured as a low score of survey results. The lack of trust impedes the effectiveness of public policies and increases transaction costs in economic activities. According to the OECD survey, only 45% of citizens trust their governments. Korea is not the exception and its young generation has even lower trust in government than the adult. Another notable observation is that citizen's trust does not necessarily improve with more government

1) <https://www.oecd.org/gov/trust-in-government.htm>, accessed on Nov 24, 2021.

2) OECD reports that the trust level went up at the start of the Covid 19 crisis, but the so-called “rally around the flag” effect seems to fade away in June/July, 2021 (OECD, 2021).

spending and services. We held the KIPF Forum to explore the causes of this worrisome situation and explore better ways of building trust in government.

Second, due to slow economic growth, there has been increasing demand for public spending and fiscal situation has been deteriorating. Based on low interest rate and inflation rate, some economist calls for more expansionary fiscal policy. Except for a small number of countries, since the late 2000s global financial crisis, fiscal situation has not been improved much. Despite favorable environments for fiscal spending due to low cost of borrowing and need for expansionary fiscal policy, the effectiveness of government spending has been in question. Many spending programs introduced as a short-term measure become a kind of entitlement programs and fundamental reviews on existing programs face political resistance. The managerial function in government is not strong enough to follow through the programs' implementation process and coordinate crosscutting issues in government. In this context, we would like to provoke discussions on the issues of value for money in government spending.

Upon the fruitful discussions during the KIPF Forum, the participants agreed to produce the forum's output into the book. This book consists of 5 chapters from 4 distinguished contributors who participated in the 2019 KIPF Forum on Government Performance. For the first chapter, Andrew Blazey from OECD discuss the concept of the trust in government in relation to the government budget and identifies the features of a budget that can influence the level of trust in government. The chapter focuses on evidence and trends from across selected countries, and has specific regard for the circumstances in Korea. Research on the topic of trust in government continues to evolve as our understanding of the topic increases. This chapter ends by identifying topics for further research.

For the second chapter, Veronique Fouque describes the situation of low trust level towards government and paradoxical attitude towards negative views on taxes and increasing demand for government spending in France. She discusses how the issue of trust emerged as a key component in the public debate in France and recent initiatives taken to improve the situation.

For the third chapter, Derek Armstrong argues that one of effective ways of achieving credibility and stability is implementing a financial information strategy with transparent, easy-to-access and relatable reporting. He explains Canadian government's a financial information reporting tools, GC InfoBase and Titan, which succeeded in improving discourse on public spending while pursuing elements of performance-informed budgeting. He also described recent developments in the parliament and public arena in Canada.

For the fourth chapter, Marten de Jong discusses the complexity that performance transparency and better performance do not necessarily improve the level of trust in government. He argues that direct service delivery to citizens is a powerful factor that impacts trust in government but is underemphasized in current performance reporting of the Netherlands. In addition, while there is little evidence that value for money and transparency is able to increase or restore trust in

government, the reputational impact of bad performance tends to be much more direct and powerful as recent incidents in the Netherlands demonstrate. He concludes that, to be responsive and dominate the public debate and the media, resources need to be deployed to actively communicate a neutral, fact-based message about government's successes and shortcomings. In addition, citizen's experiences with delivery of public services provides a particular powerful tool to influence citizen's perceptions and therefore deserves more emphasis in government performance frameworks.

For the fifth chapter, Martin Alessandro analyzes a governance innovation in the City of Buenos Aires, Argentina, intended to enhance both performance and public accountability. This innovation consisted of the public announcement of priority goals for the Mayor's term in office (2016-2019), with specific targets, trajectories and deadlines, and the continuous and proactive reporting of the progress made towards delivery. These "public commitments" were managed through a systematic methodology of performance monitoring and improvement, led from the Center of Government. Rigorous impact evaluations through randomized controlled trials have documented the positive effect of this innovation on citizen trust, especially when actual performance matched the public commitments taken by the government. He describes the innovation and its impacts in detail, presenting findings and lessons for other governments seeking to strengthen the confidence of citizens on democratic institutions.

For the last chapter, Derek Armstrong explains organizational performance management systems in the government of Canada and the United States, which offer an interesting case study in how performance management systems are run, particularly with different institutional structures and approaches to guidance and accountability. After making observations on the recent American and Canadian performance management experience, lessons are drawn, with recommendations for establishing effective performance management operations. He argues its effectiveness depends on setting clear strategic objectives, translating those into organizational outcomes, identifying paths to achieving the outcomes, and assessing progress along those paths. Performance management regimes benefit from clear leadership and accountability for achieving outcomes, whether through individual, organizational, or shared responsibility. Effective performance management balances interests of the organizations being managed with those of the overall government and is most effective when the operational processes and methods of assessment are clear and embedded in a predictable cycle.

Due to evolving situation with Covid 19 accompanied by economic uncertainty, this book's theme and discussions are very relevant for current and upcoming policy environments. The prospect for more active government engagement in the social and economic policies appears certain, while its effectiveness critically hinges on citizen's trust and its competence in solving social and economic problems. We hope this book provoke further discussions and research for the issues of trust in government and public financial management in the era of bigger government.

I

Trust in Government and Implications for Budgeting

Andrew Blazey (OECD)

This chapter is a contribution to a book to be published by the Korean Institute of Public Finance (KIPF) under the leadership of Mr. Jong Hak Weon and Dr. Nowook Park. The chapter draws on materials from the 2019 Public Finance Forum convened by the KIPF in Seoul.

Disclaimer: The opinions and arguments expressed in this chapter do not necessarily reflect the views of the OECD Secretariat or OECD member countries. The opinions expressed and arguments are those of the author. This chapter, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

1 Introduction

‘It is trust, more than money, that makes the world go round.’ (Stiglitz, 2015)

Trust in government is fundamental to the social contract between a citizen and the state for the wellbeing of the state and its peoples, including its defence. Across countries, the level of trust in governments has decreased on average over time (Gallup, 2017_[2]). However, the results vary by country, reflecting differences in the circumstances of the respondents.

A person’s perception of a government influences that person’s view on the trustworthiness of that government. Perceptions are formed through a variety of influences including as the recipient of government services, such as healthcare, and government information on policies. These interactions influence whether a person perceives the government will look after them now and into the future.

The government's budget is a key instrument of political and administrative leadership in a country. A government's budget communicates policy intentions and the proposed allocation of public resources to deliver those intentions. It affirms a government's political leadership and is approved through the national parliament, demonstrating the government's mandate to govern. These aspects underpin the importance of the budget as a source of trust (and distrust) in government.

This chapter discusses the concept of trust in government in relation to the government's budget and identifies the features of a budget that can influence the level of trust in government. The chapter focuses on evidence and trends from across selected countries, and has specific regard for the circumstances in Korea. Research on the topic of trust in government continues to evolve as our understanding of the topic increases. This chapter ends by identifying topics for further research.

By way of background, the KIPF and the OECD have a longstanding collaborative relationship on leading-edge topics to support best practices in public finances across countries. The collaboration occurs through empirical research, policy fora, and bilateral engagement. This chapter is based on the 2019 KIPF Forum on Government Performance.

2 Defining trust in government

The notion of trust refers to holding a positive perception of the likely actions of an individual or an institution. The concept is subjective and based on a person's perception of the experiences and values of that person.

Trust in government represents the confidence of the public in the actions of a government to what is perceived reasonable and fair (Easton, 1965). A person's trust in government is informed by a person's expectations of government and public services based on that person's experiences with government and her or his view of what a government should provide – and is capable of providing. The public's trust in government influences how effective a government might be in governing facilitating the design of policy, the delivery of public services and support to undertake reform.

The perceived performance of a government organisation can matter more than the actual performance. Finding effective ways to ensure that perceived performance and actual performance are the same is important to support an accurate understanding of the capacities of government.

A framework for trust in government

The OECD has contributed to work on the topic of trust in government for over ten years. In 2018, the OECD developed a framework to help increase understanding on trust in government. The framework identified five policy dimensions that are relevant to interpreting trust in government, namely, responsiveness, reliability, integrity, openness and fairness (<Table I-1>).

<Table I-1> OECD framework on trust in government

Framework Dimension	Government mandate	Aspects relevant to trust	Policy dimension
Competence	To provide public services	<ul style="list-style-type: none"> – Access to public services – Quality and timeliness of public services – Respect in public services, including responses to feedback 	Responsiveness
	To anticipate, change and protect the public	<ul style="list-style-type: none"> – Assess the public' s evolving needs and challenges – Consistent and predictable behaviour – Effective management of uncertainty 	Reliability
Values	To use power and public resources ethically	<ul style="list-style-type: none"> – High standards of behaviour – Commitment against corruption – Accountability 	Integrity
	To inform, consult and listen to the public	<ul style="list-style-type: none"> – Ability to understand what the government is up to – Engagement that leads to results 	Openness
	To improve social–economic conditions	<ul style="list-style-type: none"> – Pursuit of social–economic progress for society – Consistent treatment for the public and corporates 	Fairness

Source: OECD (2017_[3])

Measuring trust

Empirical evidence from surveys provide an established time series of observations on trust in government. The evidence helps to provide insights into the ways in which the public trusts government. Relevant variables include the type of government, personal income, age and gender. These variables reveal differences in the level of trust towards such things as national and subnational governments, and domestic and international institutions.

This chapter refers principally to two surveys, the Gallup World Poll and the Edelman Trust Barometer. The Gallup World Poll is comprehensive survey, but limited material is publicly available. The Edelman Trust Barometer is a smaller survey (27 countries), but is publicly

available. As a communications company, Edelman is a commercial business and interested in the role communication plays to influence perceptions. The both surveys provide insights on the actions governments could take to increase levels of trust; however, the research also contains limitations. Two examples of the limitations are:

Correlations do not explain the causes of variations in the levels of trust in government.

The meaning of some variables is unclear, for example, higher income may correlate with higher levels of trust or less exposure to government services or both.

Trust in budgeting

A budget is one of the core levers available to a government to give effect to government priorities. The responsible management of public finances is a source of public confidence in how a government is looking after the needs of the population now and into the future. The government's budget is a regular (annual), comprehensive (whole-of-government) and quantified (financial) expression of expenditure proposals. Its preparation is authorised by legislation, and is subject to accountability and oversight arrangements such as by parliament, independent fiscal and supreme audit institutions. Operating obligations on reporting, accounting standards and other features, such as financial delegations, support the integrity of how a government administers the execution of a budget.

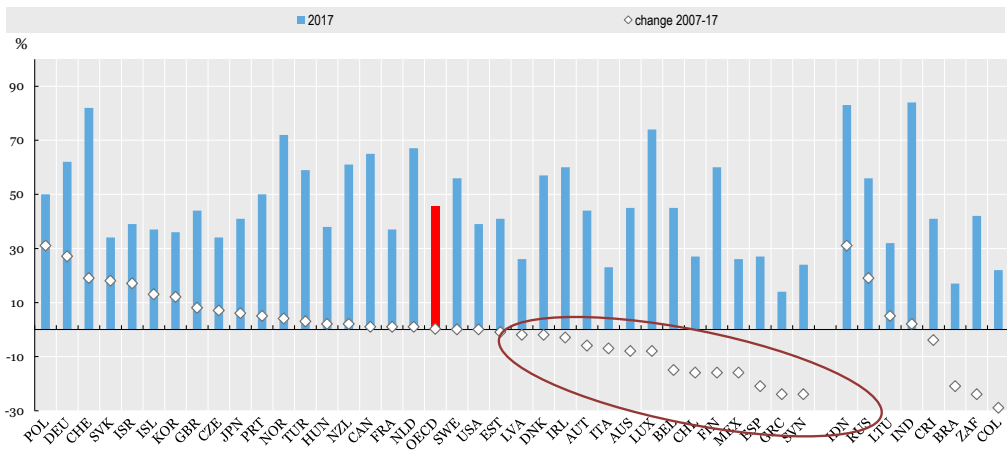
3 Cross-country evidence

Surveys and analysis on trust in government are undertaken, analysed and reported on a frequent basis. The OECD maintains a Trust Database as a repository of data on the topic. Based on surveys from the Trust Database and other sources, this section looks at three observations relating to trust in government, specifically the decline in trust over time, correlations on differences in the level of trust and changes to the sources of trust.

Decreases in the level of trust in government over time

The findings from the Gallup World Poll show that on average levels of trust in government have been declining over a long period. [Figure I-1] shows the overall rating for each country based on Gallup's 2017 survey and the average rating across OECD countries. Across a 10-year period, some countries have experienced an increase in the level of trust in government, but the majority of ratings show a decrease (circled area) or no change. On average, trust in OECD governments has decreased slightly over the 10-year period.

[Figure I-1] Confidence in national governments 2007-2017

Source: Gallup (2017)^[2]

Drawing on the Edelman Trust Barometer (Box I-1), a similar pattern of results is observable, even though the Edelman Trust Barometer refers to only 27 OECD and non-OECD countries. Like other surveys, the Edelman results contain variables, which help to enrich our understanding of the overall results and is referred to in the two observations below.

Box I-1. Edelman Trust Barometer

Edelman is a US-based communications company that has conducted the Edelman Trust Barometer since 2001 and releases a public report on the results of its annual surveys.

The 2019 Edelman Trust Barometer contains 37,050 survey responses from 27 countries and economies³⁾

with 1,150 respondents from each country or economy. The margin of error by country or economy averages plus or minus 2.9%, with the greatest margins in China and the United States, each at 4.4%. Biases in the data include over half (55%) of respondents are in full time or part time employment and a greater than normal weighting of respondents employed by multi-national companies.

The Edelman survey produces a score out of 100 for each country or economy. A score of

- 60 or more indicates a trust

- 50-59 indicates a neutral view
- < 50 indicates distrust.

The Barometer makes a distinction between what it calls ‘Informed Respondent’ (16% of respondents) and the ‘Mass Population’ (84% of respondents). The former represents respondents who are between 25 – 64 years of age with a college education and are in the upper quartile of household income within each country. The informed respondents report significant consumption of media, including business news and government news, specifically public policy. These variables help to identify a potentially greater use of the internet, subscriptions to newspapers, magazines and similar material.

Source: (Edelman, 2019^[5])

Differences in views between trust and distrust of government

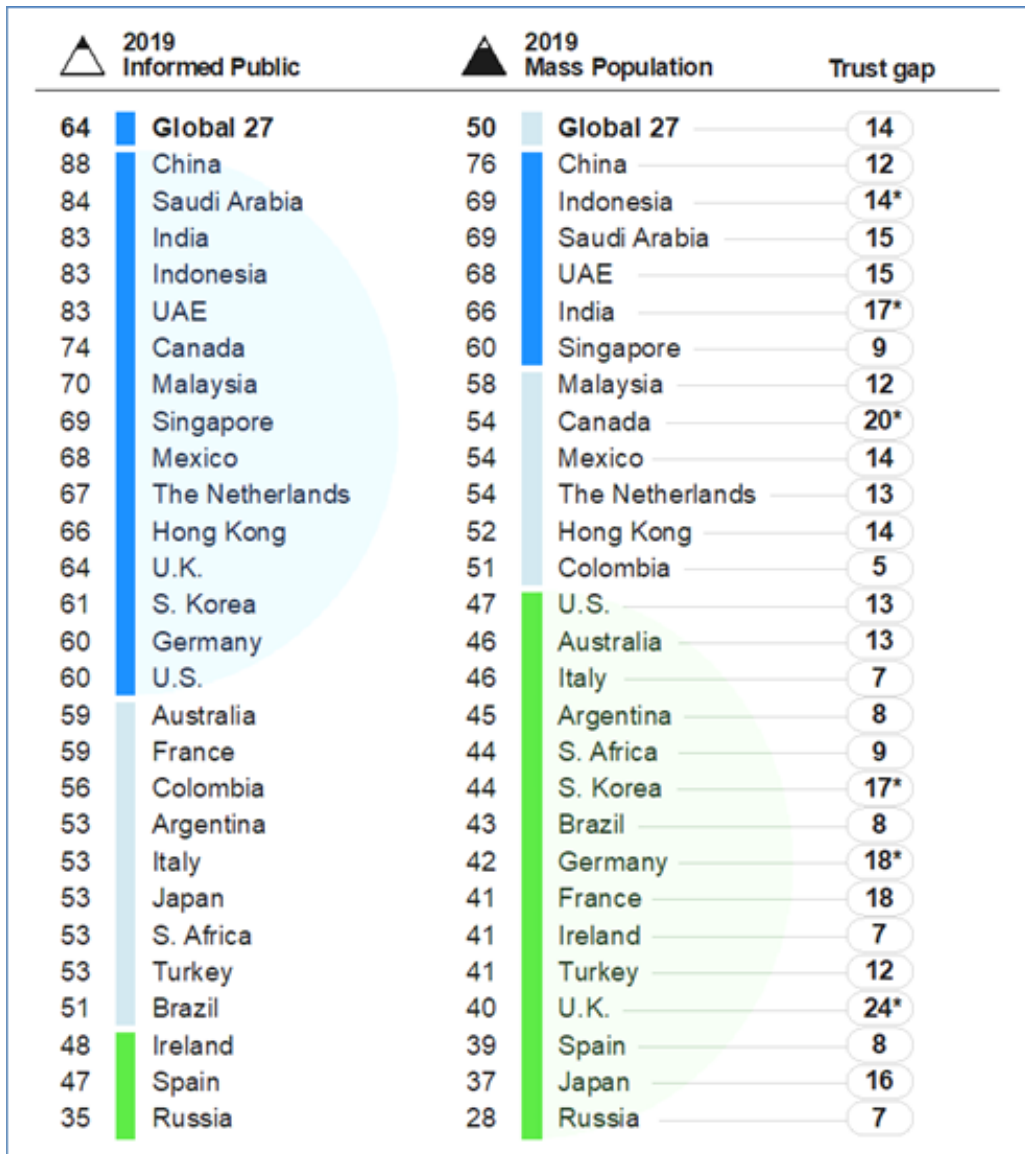
The Edelman survey makes a distinction between ‘informed respondents’ and the ‘mass population’ of respondents (Box I-1) based on differences in educational attainment, income levels and exposure to media. The survey results show that the informed respondents have a higher level of trust in government than other respondents do. That is, in the 2019 Edelman survey ([Figure I-2]), on average, the informed respondents from 15 out of 27 countries (56%) expressed trust in government. In contrast, the remaining respondents in each country had an average score of 50 points and only six countries achieved a rating of 60 or more.

In 2019, countries where the trust in government is reported as the highest were: China, Indonesia, India, United Arab Emirates and Singapore. However, one variable not explored in the survey is the role of national cultures and views on trust in government. Previous editions of the Edelman Trust Barometer show similar results where informed respondents have greater trust in government relative to the mass population of respondents. Furthermore, the number of countries where informed respondents express trust in government has increased over time, for example, in six countries in 2015, 10 countries in 2017 and 15 countries in 2019. Other observations from the 2019 survey were:

- Total responses (100%): The greatest increase in ratings between 2018 and 2019 were by Australia, Canada and Hong Kong. Spain was notable for declining from 47 (2018) to 40 (2019).
- Informed respondents (16%): The greatest increase in ratings between 2018 and 2019 were by Canada, Hong Kong, Korea, United Kingdom and United States.

3) References to economies refer to the Special Administrative Region of Hong Kong, China.

[Figure I-2] Differences in results within the 2019 surveyed responses

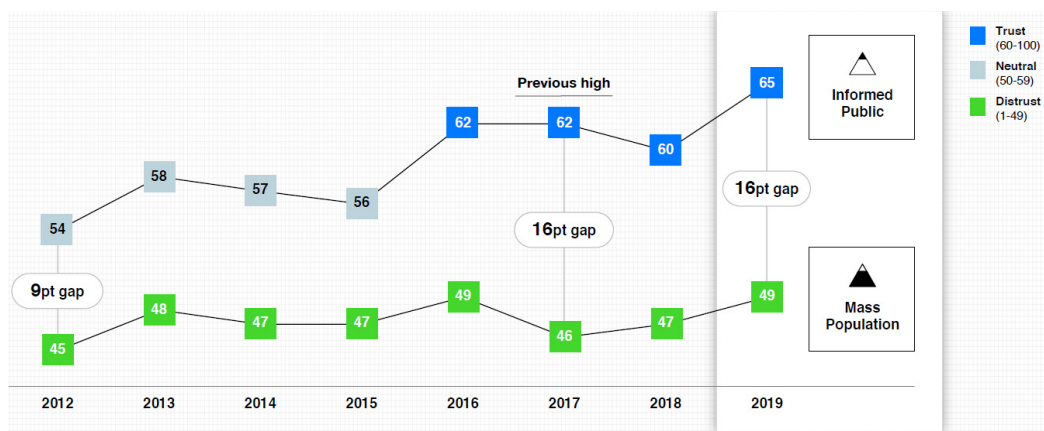


Source: Edelman (2019₍₅₎)

The results in [Figure I-1] highlight the difference (or Trust gap) between the ratings from informed respondents and the mass population. In the case of the 2019 survey, the gap in the level of trust in government between the two groups was 14 points.

Over time, the trust gap between informed respondents and the mass population is increasing. [Figure I-2] shows that the gap was 9 points in 2012 and by 2017 had increased 78% to 16 points. The countries with the greatest trust gap between were Canada (20 points), France (18 points), Germany (18 points), Korea (17 points), United Kingdom (24 points).

[Figure I-3] The gap in trust



Source: Edelman (2019₍₅₎)

Changes in the sources of trust

The Edelman Trust Barometer shows that people's trust varies depending on the type of organisation, levels of government and the people who represent an organisation.

- Organisations: Survey results show that respondents, on average, trust non-governmental organisations and businesses ahead of government and media. Over the past 10 years within the Edelman Trust Barometer, this order of trustworthiness has remained the same, although individual ratings have changed year by year.
- Levels of government: Respondents show, on average, a higher degree of trust toward subnational governments than national government. Furthermore, international institutions, receive higher trust ratings on average than national institutions.
- People: Based on survey results from across all respondents, the top three categories of the most trusted people to communicate are academics, industry experts, and representatives from non-government organisations.

Regarding last category, in 2019, chief executives in the private sector and government officials both gained an increase in perceived credibility, but still lag the first three categories.

Trust in government is a complex and the variables discussed in this chapter show that there are changes to the composition of the ratings for each country

The correlations, along with insights on how respondents view organisations, help to inform how improvements to the level of trust in government might be possible.

Box I-2. Considerations relevant to Korea

Over the past 20 years, Korea has experienced sustained economic growth, low inflation and low unemployment. Korea is the twelfth largest economy in the world and sectors such as ICT are nearly twice the size of the OECD average (OECD, 2020[6]). At the same time, the population's trust in government is low relative to the OECD average. Survey results show that Koreans make a distinction between their trust in the delivery of public services relative to trust in politicians and political institutions. Trust in public services is higher.

A 2018 study conducted by the OECD and the Korean Development Institute identified that Koreans express high levels of trust in public services, but lower levels of trust in the National Assembly and local councils. The organisations that received the highest score of trust were public health, public education and civic organisations. Analysis of the survey result showed that interactions between the public and civil servants had the highest positive effect on institutional trust. The analysis led to the identification of five drivers of trust.

Of the five drivers, three are the same as those in the framework discussed in this chapter (fairness, integrity and openness), the other two refer to age and gender. The reference to age reflects demographic changes in Korea from an ageing population and the extent to which the government has regard for the wellbeing of the elderly. In the case of gender, survey results showed that in Korea women have less trust in government than Korean men.

Based on the study, five actions to help support trust in government in Korea:

- Define a set of long-term national priorities beyond the five-year political cycle, and ensure consistency between the priorities and how they are implemented
- Promote transparency in government and move from consultation-based models to meaningful engagement.
- Refine integrity frameworks to increase the credibility of professional and political actions in government institutions.
- Review risk management frameworks and responses, as the government's responses to crises is an influential determinant of trust
- Address concerns over policies with respect to the elderly, women and regional geography.

Source: (OECD/KDI, 2018[6])

4 Implications for government budgets

The OECD has identified ten dimensions [Figure I-4] that are instrumental to an effective budgetary system to support quality decisions throughout the budgetary process (OECD, 2015^[7]).

[Figure I-4] OECD recommendation of the council on budgetary governance



Source: OECD (2015^[7])

This section looks at the evidence on budgetary practices from across OECD countries that are relevant to a person's trust in government, as summarised in <Table I-2>.

<Table I-2> Measures of trust through budgetary governance

Trust Framework	Budgetary Governance	Relevant budgetary tools
Integrity	<ul style="list-style-type: none"> – Budgeting within fiscal objectives – Quality, integrity and independent audit 	<ul style="list-style-type: none"> – Fiscal objectives and rules – Independent Fiscal Councils
Reliability	<ul style="list-style-type: none"> – Budget sustainability 	<ul style="list-style-type: none"> – Long-term fiscal plans – Risk management
Responsiveness	<ul style="list-style-type: none"> – Performance and value – Effective budget execution 	<ul style="list-style-type: none"> – Performance budgeting Budget flexibility and control
Openness	<ul style="list-style-type: none"> – Transparency, openness and accessibility 	<ul style="list-style-type: none"> – Transparency indicators
Fairness	<ul style="list-style-type: none"> – Participative, inclusive and realistic debate 	<ul style="list-style-type: none"> – Gender budgeting – Participatory budgeting

Source: Author

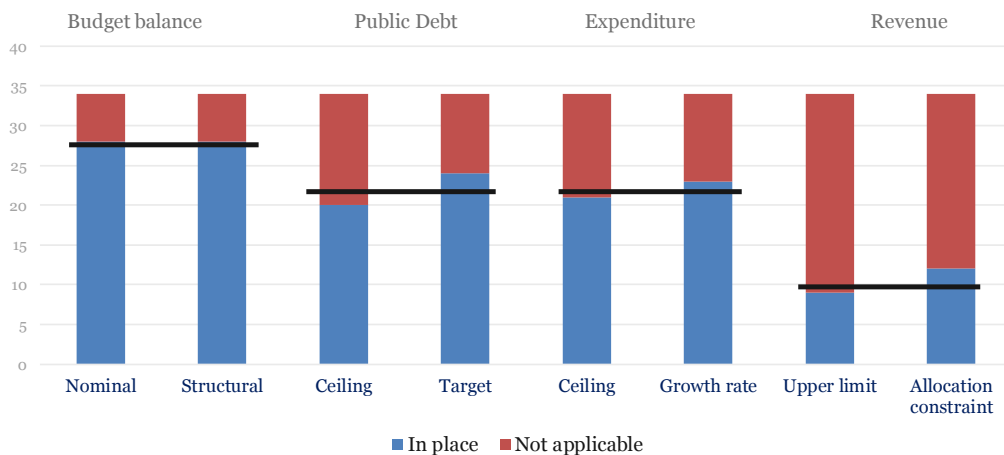
Integrity

The integrity of a budget framework refers to such things as the accountability arrangements that support the budget process. This means governments holding themselves to account for the rules they opt to follow, and the oversight performed by third parties that are independent of government.

Most OECD countries anchor the national budget framework to one or more fiscal rules to help guide the formulation of a budget. Fiscal rules help manage limited resources and communicate how a government intends to behave during the preparation of a budget. Fiscal rules do not make much difference to a budget if they are applied to a single budget period. The integrity effects only accrue by establishing a track record by a government observing, or ignoring, its own rules over time (Schick, 2003^[8]).

[Figure I-5] shows how many OECD countries use a fiscal rule for a balanced budget, public debt, expenditure, and tax revenue. Fiscal rules are not limited to these four categories, but they are the mostly commonly used rules across the OECD. [Figure I-5] shows that 27 OECD countries set a rule relating to a balanced budget, 22 countries set rules on public debt and expenditure, and nine countries set rules on tax revenue.

[Figure I-5] The use of fiscal rules in OECD countries



Source: OECD (2019^[9])

Although not all OECD countries specify the actions a government must take if it were to break a fiscal rule, governments set and/or endorse their own fiscal rules, which attaches a government's political reputations to observing the rules. To not observe a fiscal rule risks damaging the integrity of the government.

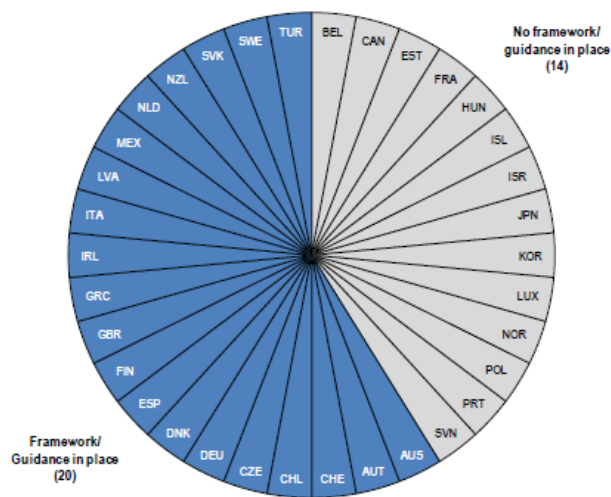
In relation to trust, having an institution independent of the government to comment publicly on the government’s management of the public purse supports independent oversight of the government’s actions. Within OECD countries, the number of independent fiscal institutions has tripled in the past decade and continues to increase. The functions of the institutions support the integrity of the budget process and include analyses of the estimates of income, expenditures and public debt; and analyses of the impact of government policies and budget allocations, including the sustainability of public debt.

Reliability

The reliability of the budget refers to its accuracy and its ability to anticipate change to protect the interests of citizens and the country as a whole, for example to manage and respond to risk effectively and to consider long-term interests such as the provision of pensions and environmental sustainability. The accuracy of a budget is supported by a comprehensive and up-to-date accounting system to classify financial transaction in an accurate and consistent manner.

The adoption of risk management frameworks helps a government consider the impacts of uncertain events. A risk management framework also helps to communicate how a government intends to treat risks, which in turns helps to increase the predictability of a government’s actions, but only where it follows its own framework. [Figure I-6] shows that approximately 60% of OECD countries have adopted a framework to manage fiscal risk.

[Figure I-6] Framework or guidance for fiscal risk management



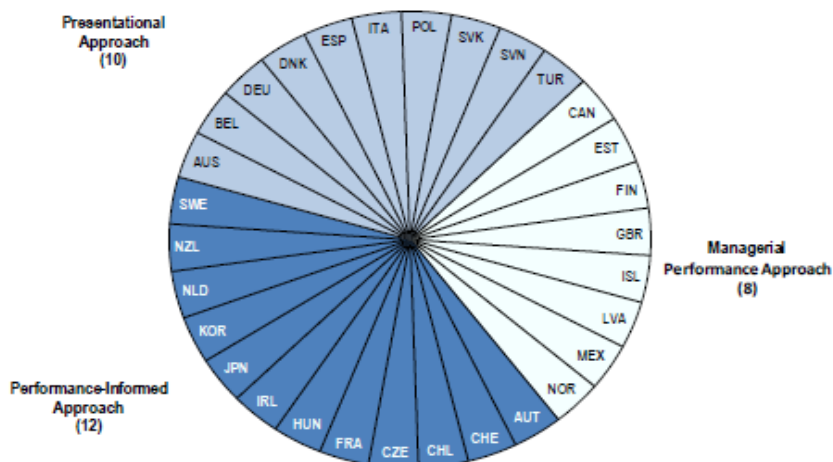
In relation to anticipating potential changes over a long-term, many OECD countries refer national objectives, but few integrate international frameworks such as the Sustainable Development Goals or climate change into national budget processes. Based on 2018 data only four countries (Canada, Finland, Ireland and Slovakia), systematically integrated climate change assessments into budget processes.

Responsiveness

Responsiveness refers to a government's ability to deliver public services that meet the needs of people who require them and at the quality they expect. For example, as a population ages, the public may expect a government to anticipate an increased need for aged care facilities. Within a budgetary context, responsiveness of public services relies on information regarding the demand for services and whether the quality is satisfactory relative to the resources available. Information on the performance of public services provides feedback to government on the allocation of resources.

Across OECD countries, performance budgeting approaches have helped to provide meaningful information on how public resources are to be used. The OECD distinguishes the way in which countries use performance budgeting by assessing whether the budgeting practice is used to present budget information, inform budget decisions or inform managerial decision within a government ministry. [Figure I-7] shows the distribution of these three practices across OECD countries.

[Figure I-7] Performance budgeting approaches



The presentational approach, which is used in 10 OECD countries, attaches performance criteria to programme-based budgets. Performance-informed budgeting is appropriate for governments that want to have performance information available at the time budget decisions are taken to help re-prioritise of expenditure. Twelve OECD countries have adopted performance-informed budgeting, including Korea. Managerial performance budgeting is a variant on performance-informed budgeting in that it is applied to the managerial processes of a government ministry to help develop a performance-based culture in an organisation. As of 2018, eight OECD countries had adopted the approach.

The use of performance budgeting helps to demonstrate the extent to which a government has regard for the quality of public services. The experiences of OECD countries shows that the expectations of what can be achieved from performance budgeting can be greater than the reality. Of note, in 2018 the National Audit Office commented on the importance of setting realistic expectations to support the measurement and review of performance (NAO, 2018[11]). However, countries have stayed with performance budgeting and focussed the effort on the services where performance can best be measured.

Responsiveness in the context of budgeting covers such things as how a government is able to act in times of crisis. This means ensuring budget legislation anticipates the occurrence of crisis events, the governance that should apply in such circumstances and that there are timely ways to access and/or transfer funding, including to maintain the confidence of finance markets for the government's debt management operations. Legislation in OECD countries includes provisions for governments to act in times of crisis and is supported by controls that require parliamentary approval. However, legislative provisions are insufficient in that a budget office needs to be able to act with agility to co-ordinate the deployment of resources across government and to have effective business-continuity arrangements so the office itself can remain functional.

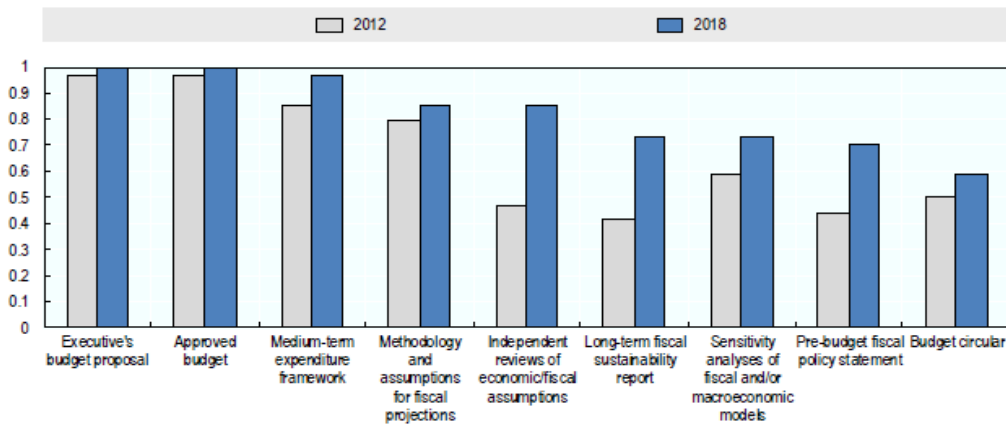
Openness

Openness refers to the public's ability to know and understand what the government is doing. The concept extends to the government consulting citizens, and where appropriate taking the feedback into account.

Within a budget context, openness is about providing high quality information about the resources available to people and the government's actions to apply sound budget management practices.

Across OECD countries, the level of transparency on budget information has increased over time and across a range of budget materials. Figure I-8 shows the increases between 2012 and 2018 across nine budget publications. The greatest increases in transparency have occurred in the disclosure of independent reviews of economic and fiscal assumptions, and long-term fiscal sustainability reports.

[Figure I-8] Changes to the publication of budget information over time

Source: OECD (2019)^[9]StatLink  <http://dx.doi.org/10.1787/888933946951>

Governments have worked to find innovative ways to promote the information in a budget. Three examples are the preparation of citizens' budgets, the availability of open data and investments in online portals.

- Citizens' guide: As of 2018, 67% of OECD countries produce a citizens' guide to the budget to increase the accessibility of budget information. An example is the 'Budget Basics' publication prepared by the New Zealand Treasury (New Zealand Treasury, 2019^[11]).
- Open data: Around 80% of OECD countries provide budget information in an open data format so it can be analysed easily by non-government organisations and the public, by only around 40% provide medium-term expenditure data and long-term fiscal sustainability data in an open format.
- Online portals: OECD countries are investing in online portals to provide a greater volume of analytical information on the budget to help show how public funding is distributed across the population the purposes to which it is applied. An example is the Spanish government's budget portal.⁴⁾

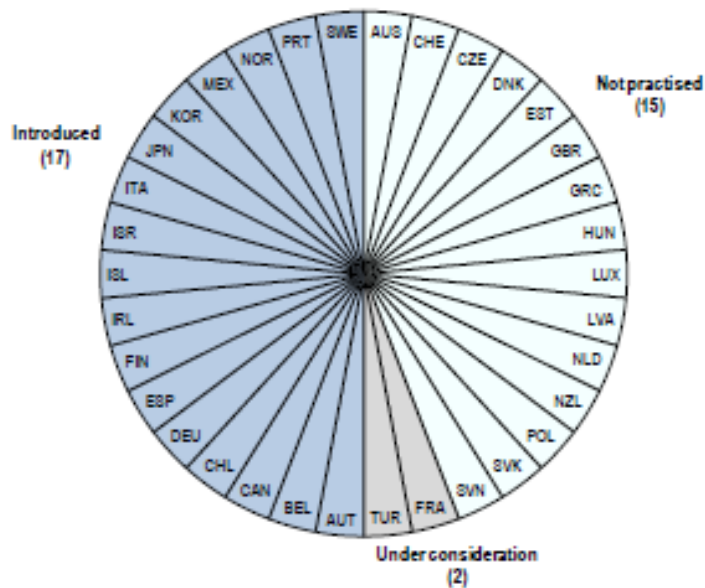
Fairness

Fairness refers to the extent to which there is consistent treatment of people and businesses

4) <http://www.thespainseconomy.com/portal/site/tse/>

to improve the socio-economic conditions of a country. In a budgetary context, the extent to which a budget is representative of the needs of the population helps to inform the consistency of treatment in a budget. Two examples of informing budget decisions through access to representative information are to consider the gender implications of policies and to seek perspectives from across the population to refine the design and implementation choices of government policies in a budget. On gender budgeting, over half of OECD countries, including Korea, have adopted gender budgeting [Figure I-9], which includes a gender marker in statistical data helps to inform analyses and impact assessments on the potential gender impacts of policy proposals. A leading example is Canada which has enacted legislation on gender budgeting.⁵⁾

[Figure I-9] OECD countries that practice gender budgeting



Source: OECD (2019₉)

StatLink <http://dx.doi.org/10.1787/888933947008>

Initiatives that seek perspectives from across the population help to ensure the best information available is brought into the decisions-making processes that determine the allocation of resources in a budget. However, governments fare better on the transparency of the budget to citizens than on citizen participation in the budget process. Fewer than 20% of OECD countries hold

5) Canadian Gender Budgeting Law 2018, www.laws-lois.justice.gc.ca/eng/acts/C-17.2/index

focus groups or similar meetings to seek views on budget proposals. An exception is Korea, which in 2018 launched an online initiative to seek views on budgets.

A participatory approach is able to occur in conjunction with gender budgeting and related initiatives, for example, around 38% of OECD countries hold a pre-budget debate in parliament to help inform budget priorities and the allocation of public resources through the budget.

5 Areas for further work

This chapter has identified two potential areas for further work to increase our understanding of trust in government and its implications for budgeting. The first is to analyse a greater range of variables relating to trust, building on the surveys by Edelman and others. Three examples discussed in this chapter are:

- Culture: The national culture of the respondents can affect views on authority, expectations on engagement with the State.
- Age: Of the demographic information available, the age of respondents receives relatively little attention, yet is relevant to perceptions on the responsibilities of government, the rights of citizens and the public services a respondent is likely to use.
- Use of government services: The use of government services by a respondent may influence that person's trust in government. In this regard, the classification of 'informed public' in the Edelman surveys may be associated with variables other than higher education, income and exposure to media, for example limited use of public services because of access to private healthcare.

The second is to review the budget processes of a country from the perspective of how they contribute to trust in government. The preparation of the budget should support the public having trust in the way a government has chosen to allocate public resources. In this regard, the budget process is as important as a budget report and the five policy dimensions <Table I-1> can assist to assess the design of a budget process. Refinements for each dimension might include:

- A well-functioning medium-term budget framework to help translate high-level political objectives into a budgetary framework. (Responsiveness)
- Reviewing the risk management and financial disclosure frameworks that apply to budget information. (Reliability)
- Refining the integrity framework on the way perceived conflicts of interest are managed. (Integrity)
- Determining what budget information citizens want, in what form do they want it and how do they use it. (Openness)

- Considering the consistency of treatment across age and other distributions of the population.
(Fairness)

Such reviews can be challenging in that improvements to a budget process are unlikely to change the perceptions of trust across an entire population because of the diversity of perspectives about government. This suggests that insights from increasing our understanding are likely to continue to evolve as more information becomes available.

6 Conclusion

The trust a person has in a government is based on that person's perception of government and his or her interactions with government. The concept is personal, relational and contextual, and as such, one's trust in government depends on individual circumstances, the relationship between a person and the State, and the context in which questions on trust are asked.

This chapter has focussed on the results from the Edelman Trust Barometer to consider how education, income, the use of media and other variables associate with views of trust in government. The discussion is in the context of a long-term trend of declining levels of trust in government, on average, across the world, and the role of a government's budget as an important instrument of government policy and the delivery of public services.

By drawing on OECD frameworks on trust in government and budgetary governance, the chapter considered five policy dimensions, namely fairness, integrity, openness, reliability, and responsiveness, and relevant aspects of a government's budget. Based on practices across OECD countries, countries have strong institutions relating to the integrity of budgets through such things as fiscal rules, and oversight from independent fiscal councils. Dimensions where further progress is possible refer to fairness and reliability, for example, including a broad range of perspectives in a budget process and to have greater regard for sustainability issues such as climate change.

The segments of the population associated with higher education, income and exposure to media appear to have higher levels of trust in government than other segments. By itself, this supports the efforts of government to increase budget transparency and to broaden its reach of budget communication through such things as publication of a citizens' budget. However, further investigation is needed to understand the role of national cultures, age, and the use of services in relation to perceptions of trust, reflecting the complexity of the topic. Countries are able to review budget processes in relation to trust in government to identify possible ways to improve the public's confidence in how the government is managing public finances.

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II

Trust in Government and Implications for Public Spending in France

Veronique Fouque (France Strategy)

1 Introduction

In its last public report from February 2020 the Cour des comptes, France's Supreme Audit Institution, points out that the financial adjustment for public expenditure in France is close to "stop". The public deficit has reached 3.1 points of the GDP, which is 0,6 point higher than in 2018, because of two exceptional measures: transformation of a tax credit into lower social contributions (so that 2019 cumulates two years of these costs) and spending power measures after the yellow vests crisis. However, the structural deficit has reached 2.2% of the GDP in 2019, and should remain at the same level in 2020. On one hand, according to the Government strategy, mandatory contributions will continue to decrease (estimated to 10 Bn € in 2020, 0,4% of GDP): decrease in the income tax, cancellation of a local tax for 80% of the population, and decrease in corporate tax.

On the other hand, public spending should increase by 1,7%, a pace similar to 2019. The very low interest rates are the main source for savings in the State Budget. The multiannual Finance programming law 2018-2022 targeted a decrease of 3 points deficit for public spending out of the GDP. A new programming law has been announced for Spring 2020, with more acute information regarding the impact of the Brexit, the pension system reform, and as of recently the potential economic downturn following the coronavirus epidemia.

Concurrently, a recent report from the Senate indicates that the territorial State services have been weakened by fifteen years of organizational reforms. The objectives of these reforms were legitimate: decrease public expenditure, modernize public action especially through digitalization, and take into account the transfers of competencies with local authorities. The report identifies

three types of State services: public services to the public (tax services, health,...), presence of the State (security, legal control), and the engineering of public policies that helps local authorities implement public policies. The “all- digital” is flagged for its negative impact on the most fragile populations or territories; recommendations have been made to keep human presence on the field.

These two simultaneous reports illustrate the paradoxical attitude in France; there is a heavy discontent regarding taxes, but also a constant demand for public services and public intervention as the ultimate “solution provider”.

The following paper will highlight how the question of trust has emerged as a key component in the public debate, some current issues of trust in government and value for money, and some recent initiatives taken to reverse the situation.

Part 1: Trust in Government as a major issue, part of a larger problem

▪ General mistrust has taken place towards experts and authorities

According to the OECD survey, France has one of the lowest confidence index towards the Government: 28% in 2016 (vs 38% in 2007) with an OCDE average of 41%, Korea’s being less than 25%. This low level of confidence takes places within an environment of general mistrust toward experts and authorities. France Strategie – part of the Prime Minister’s administration tasked with prospective analysis, evaluating public policies and making proposals for public policies - organized a year-long seminar from end of 2017 to end of 2018 to understand the root of this situation with different stakeholders: elected representatives, researchers, administrators, community leaders, journalists, and think tanks. The discussion covered a series of topics (health, education, climate, etc.). We found several root causes that could probably be applied to many countries.

Paradoxically, the higher level of education of the population (access to final high-school degree Baccalaureat: 80% in 2019 vs 30% in 1980; higher-education degree 30% in 2015 vs 10% in 1985) implies a greater scepticism to “expert sayings”. No authority at all can today pretend to deliver “the truth” without being immediately challenged. It must be acknowledged that such scepticism is highly explainable by several scandals that occurred in France in the past thirty years, mainly in the sector of health or citizen protection: the Tchernobyl cloud supposed to have stopped at the German border (1986), HIV infected blood distributed to persons with hemophilia (1991), Bovine spongiform encephalopathy (1996), asbestos-related disease recognized

in 1996 when the dangers had been known for decades, Mediator (2010, this anti-diabetic medicament has been used for thirty years as a diet-pill; it is accused of causing heart valves damage and possibly 2000 deaths), PIP breast implants made of fraudulent and dangerous components (2010) ... As a consequence, a third of the French population doubts the safety of vaccines are safe (Gallup poll for the British NGO Wellcome, 2018), which is the highest level in the world.

In addition to the health sector, financial scandals implicating top level ministers were also destructive, the most critical being the Budget Minister Jerome Cahuzac's involvement in tax evasion and strongly denying any implications while facing the President and the National Assembly.

Taking into account the fact that in France most sources for "authorized opinions" more or less depend on the State (few independent agencies), this lack of "public morality" has impacted the trust in government. Only 38% of the population today has trust in public statistics (source CEVIPOF).

At the same time, many important public policies have proven inefficient, regardless of the government in power: to restore growth, to fight against mass unemployment, to contain public debt,... generating doubt that the government can actually have a positive impact on citizens' lives.

Finally, the mass emergence of social networks – beyond the spreading of fake news – creates a place where all opinions seem to carry the same weight and legitimacy; and the way algorithms work keeps people within their belief circles.

▪ **There is a special situation in France of pessimism and mistrust**

Adding to the situation of distrust of "expert" information which can be found in more than one country, long term observers of French public opinion signal that it tends to appear "declinologist" with the belief that tomorrow will be worse than the past used to be. For instance, IPSOS' international poll surveys depict in France a collective image nostalgic about the 30 "glorious years" of postwar growth. This perception of "past paradise" does not take into account that the situation, in reality, was much worse in terms of education, health, car accidents, housing comfort...

Another feature could be called "alterophobia" as 80% of French respondents answer that « you should be cautious when you meet someone unknown »: this appears to be a worldwide exception compared to less than 50% in the USA or Scandinavian countries.

▪ **Mistrust appears to be especially high towards elected representatives for two reasons**

The first reason relates to the status of the President of the Republic. The Fifth Republic is built as a “face-to-face” between the President, who personifies the nation and rules the State, and the people. Civil society and intermediate bodies are fairly weak with trade unions representing only 8% of the workforce in the private sector. The presidential election is the strongest period in French political life. It raises a lot of hope, but consequently, can generate a lot of disappointment when the expectations are not met. The “main promise” of the Presidential campaign becomes a symbolic marker, which can quickly turn against the elected President:

- in 1981, François Mitterrand promised to « break with capitalism » but in 1983 there was a turning point to « budgetary discipline »;
- in 1995, Jacques Chirac was elected to fight the « social divide »... but he dismissed the National Assembly six months later and spent the rest of his mandate with a socialist government;
- in 2007, Nicolas Sarkozy promised to obtain results, but the severe 2008 international crisis broke the economic dynamic;
- in 2012, François Hollande promised to « change the system (Finance, Europe,...) » but the lack of results regarding unemployment made it impossible for him to run for a second term;
- in 2017, Emmanuel Macron promised to unlock the country with a different way of policy making and with help of civil society, but in the summer of 2018, the reform of the wealth tax and of capital income tax in the Finance Law for 2018, the role felt as insufficient by trade unions and a private event implicating a member of the Elysée staff, started to generate doubts in the public opinion.

The second reason is that French elections are by majority vote without proportional representation, which may give a large part of the population a feeling of lack of representation. In fact, political violence has made a strong “coming in”; after several threats against members of Parliament, several offices have been stormed, such as the offices of a reformist trade union, by members of an opposing trade union during the strong social movement against the pension system reform in December 2019.

▪ **Yellow vests crisis: this deep social movement implies to change public management**

For many years unemployment has been, by far, the main concern of the French population. However, since summer 2018, inequalities and spending power have risen to first place. In addition, the ecology started to gain priority ; during the European elections of May 2019, the “green lists” won 17,5% of votes in total.

Although the carbon tax had been introduced in 2014, the announcement during the Budget debate of October 2018 that the tax would increase on January 1st 2019, in accordance with the energy transition strategy, at a time when the oil price had also risen, provoked a spontaneous and unprecedented social movement. Trade unions were out of the game. New forms of gatherings took place at roundabouts, especially in sub-urban and rural areas, with a heavy impact on the economy. The movement lasted ten weeks in its initial form, before evolving to more concentrated and violent actions in large cities. Response from the Government was first financial, with 17 bn euros injected in the spending power through various measures (mostly tax reductions and a special bonus), then with the idea of a “Great national debate” (January 15th 2019) to create a direct dialogue with citizens, with the organizational and political help of local mayors.

Many root causes have been identified for this crisis, linked to a general feeling of being abandoned and ignored. Multiple academic works and surveys have, and will be, carried out – highlight the following points.

The question of spending power appears crucial: 70% of yellow-vests sympathizers and actors lived in a household with a revenue less than the median French revenue (CEVIPOF survey).

Geography also appears to be a key driver as 70% of yellow-vests sympathizers and actors lived in low-density areas where a feeling of resentment has developed as growth has been driven by metropolitan areas (> 500 000 inhabitants) since 1999. People feel that public and private services (shops, ...) close down, and have reported their feeling of economic insecurity, fear about the digital impact on (non-qualified) jobs but also their feeling of loneliness, a loss of « social belonging ».

More recent research (note n° 55, January 2020, Conseil d'Analyse Economique) has analyzed three indicators of “ill-at-ease” feeling among the population: the level of yellow vest mobilization, the decline in poll participation (presidential election, from 2012 to 2017, and the satisfaction in life index. The first two indicators were measured at the city level and the third on an individual level, (through large CEVIPOF panels 2017 & 2018). This analysis shows that the variations of the following items have a key impact on people’s dissatisfaction: the decline in employment at the local level, closing downs of public equipment (health, culture) or grocery stores, the decline of the property market and the number of clubs and societies, creators of community life.

The impact of this crisis has been very strong on the political life in France because anger and fear have given pace to forms of violent expression (destruction on the Champs-Élysées and other large commercial areas). This violence has been viewed as legitimate by a significant part of the population (50%) for a long time. It appeared successful as the Government decided

to inject 17 bn € into the target populations' buying power. There has also been a political recognition that the traditional forms of dialogue between the authorities and the people had to be renewed. "Je ne crois pas du tout que ce qui, à un moment, crée la colère sincère d'une partie de la population soit derrière nous » (Emmanuel Macron, August 2019 Press conference).

Part 2: many initiatives have been taken to restore trust and improve value for money in public spending

The population is both "tax averse" (as shown in the Great debate) but at the same time very demanding in terms of public services. As we have seen, the perception of a decline in public services availability is a powerful cause for dissatisfaction, especially in low-density areas.

If order to secure trust and value for money from public spending, three strategic directions are followed:

- *The first axis is to improve service satisfaction of public services in people's lives.*

This objective has been pursued through "Action Publique 2022 (AP22)", a comprehensive modernization program. This objective is also the inspiration of a new emphasis given to territories, in terms of resource allocation, public agents and investments.

√ Action Publique 2022: since 2007, each presidency has been using a Transformation Directorate, depending on the Ministry of Finance (2007) or the Prime Minister's office (2012), to help the State Reform with dedicated personnel, often former consultants in the private sector, and also using such consulting services. From 2007 to 2012, this Directorate was called "Direction Générale pour la Modernisation de l'Etat » and it was a powerful tool for the General Review of Public Policies, inspired by the Canadian example from twenty years before, designed to cut public spending by not replacing one out of two retiring public agents. In 2012, this Directorate has been called "Secrétariat general pour la modernisation de l'action publique" and was mostly designed to evaluate public policies, chosen by ministerial departments, in a collaborative way with all stakeholders, with no savings objective. In 2017, this Directorate was renamed "Direction interministérielle à la Transformation publique » and launched a large analytical work – from October 2017 to June 2018 – with three objectives:

- Improve service quality through a better confidence relationship between the users and the administration;
- Open a modernized work environment to public agents with their implication in the definition and follow-up of transformations;

- Support the target of -3 points GDP in public spending.

The work was under the supervision of a Steering Committee of 22 leading representatives of the public and private sectors. The final report was finally released in the press, in an unofficial way, and with some delay because of the SNCF (Railways) strike due to the governance reform; however in July 2019, 75% of the AP 22 Committee propositions had been endorsed.

A major axis of the report was to rethink local access to public services especially in low density areas. After the closing of the “Great National debate”, in his speech of April 25th 2019, the President of the Republic announced that before the end of his term in May 2022, each “district” would benefit of a “France service” unit, to meet the need of proximity expressed during the debate (a district is a subdivision of a département, there are 2050 districts since the 2015 reform). These France service units will be able to host public services, with the participation of local authorities or operators. Proposals for a new organization of local public services included « White Card experimentation » in Cahors, development of bus tours with polyvalent agents for instance. They also aim to place physical complements of digital services, to people uncomfortable with all-technology solutions, in order to avoid that the digital divide add to the territorial and social divide.

Many of the organizational reforms since 2007 have led to a downsizing at the departmental level (100 départements in France, the historic administrative level created during the Revolution of 1789) in favor of the regional level (13 metropolitan regions since 2016). The PM circular letter June 12th 2019 regarding the territorial organization for State services) has put an end to this trend.

- √ Encourage job redeployment from central administration on to the field.

It has been decided, when possible, to give favor to low density areas in terms of jobs relocation. For instance, regarding the Tax service, the General Directorate for Public Finance had 3600 contact points on the territory in 2019. Its missions have evolved significantly in the past years with the massive digitalization of tax declaration (60% in 2018) and payment (65%), the implementation of the withholding tax in 2019, the cancellation of the main local tax and of several small taxes, ... Instead of cutting jobs year after year, a global approach has been followed with discussions with local authorities in order to concentrate material tasks in some agencies, but increase physical access and advice to households, businesses and local authorities using the “France service” units or city halls. The number of contact points should therefore increase by 30% in 2022. The Directorate will also relocate some services currently based in

Paris or large urban areas in low density territories.

√ Public agents are a special target as they represent an important part of the population (5 M agents, about 20% of the workforce). In order to prepare the “Law for public employment transformation”, voted in July 2019, and to build a new social contract with public agents, a large consultation was organized, with the theme « let’s simplify together »: 130 000 agents took part and 19 000 propositions were submitted.

√ An innovative tool has been created to encourage modernization projects from the field: Fund for Transformation of Public Action.

This special fund of 700 M€ has been created within AP 22 as a part of the Great Investment Plan, announced in September 2017, to finance transformation projects. These projects should be designed to be innovative, improve public service quality, improve working conditions for public agents and reduce public spending. The total cost of a project is supposed to be between 1 M and 50 M €, with part of the financial funding provided by the proposing administration – central or local - or agency. After three years, the project should generate regular savings equal to the amount invested. For instance, as of June 20th 2019, 47 projects have been financed for a total of 257 M euros, which should generate 591 millions euros of cumulated savings for the State from 2019 to 2022 and 315 million each year after that.

During the 2017-2019 period, 63 projects have been financed for an amount of 350 M euros. The funding for 2020 is 200 M€. The minimum amount of the project has been downsized to 200 K€ for projects submitted by local units.

One of these projects, for example, aims to install artificial intelligence within Pôle Emploi to accelerate job offer and demand matching. Pôle Emploi is the national operator helping the unemployed to return to work. The project was allocated 20 million €. The benefits of this project are both to accelerate return to work for job-searchers and to facilitate job evolution for the agents, making it possible to concentrate on the consulting aspect.

Another projet aims to help install telemedicine in houses for the dependant elderly in low density areas thanks to methodological and financial support. The allocation was 4,7 million €. The goal of this project is to equip 200 houses for dependant persons to make remote consultation possible and improve access to health for the elderly.

√ Beyond public services, several programs have been developed to empower local initiative in terms of economic development, industry, innovation ...

For instance “Territoires d’industrie” is an initiative (announced November 2018) supported by the State (Direction Générale de l’Industrie, Commissariat Général à l’Egalité des Territoires) to boost 146 territories identified by local authorities (regions, cities, groups of cities,...) to help their businesses recruit, attract, innovate and simplify. A budget of 1,36 Bn € has been allocated to selected projects: each project has to be supported by a team from a firm + a political authority. The Regions (political bodies) have been given the responsibility to select the projects, rather the State. The “Bank of territories”, a Caisse des Dépôts unit, will also participate through comprehensive financial and consulting support.

“Territoires d’innovation” is a call for projects, part of the “Great Investment Plan”, within the third round of the “Investment Program for the Future”. It has been granted a 450 M€ investment from the State over 10 years. The objective is to generate new development models for territories. Twenty-four projects were selected, given their response to ecology and energy transitions, clean mobility, agroecology, new health processes and skills evolution.

√ Although the “all digital” cannot be a solution, digital development has been heavily encouraged to improve the quality of administrative services. New tools have been created through « State start-ups». 67 % of the 250 most important administrative procedures have been digitalized and on line services continue to develop (preparation of the school year, health prescriptions, Culture Pass...): the objective is for 100% of these procedures be digitalized by 2022. In order to monitor the deployment of this program, a dashboard of the 250 most important administrative procedures has been created; an index of user satisfaction is reported and performance is measured through five criteria: the procedure can be done 100% on-line, user identification can be done through France Connect (once for all), procedure is accessible by smartphone, quality of user support and availability / response time..

▪ *The second axis to secure trust and value for money in public spending is to get effective results with the 40 major reforms that have been selected as key to change peoples’ lives.*

Since the last presidential election, major reforms have been implemented according to the presidential program: cut on capital revenue taxation, wealth taxation, simplification of the labor-market, review of unemployment insurance, education, new governance for continued education and apprenticeship,...

France has recovered attractiveness toward foreign investments : +1% new investments in 2019, France is the second European destination for foreign investments after the UK, where investments have decreased by 13%, and now before Germany where investments have also decreased by 13%. France is the number 1 destination for industry projects and R&D;

unemployment has started to decrease steadily (8,6% in the third quarter 2019 and should reach 8,2% in Spring 2020).

The financial situation, although improving, remains challenging as debt hits 100% of the GDP, 2,2% public deficit is expected in 2020, public expenditure has risen from 51,6% to 55% of the GDP from 2000 to 2017. The long-term programming law 2018-2022 was expected to decrease this share by 3 points but new forecasts are expected Spring 2020. Social transfers represent the biggest and most dynamic part of public expenditure (from 51% to 59% from 2000 to 2017) with pensions representing 14% of the GDP in 2019; the reform of the pensions system forecasted for 2020 appears to be a major step in the reforms dynamics.

However macroeconomic results will not make people happy if they do not see an impact in their day-to-day life. « We live a crisis of results; people do not see the change in their lives » (Prime Minister, February 2019). Therefore, a tight monitoring of these reforms has been decided. For example, for the Justice ministry, “digitalize the criminal procedure”; for the ministry of Ecology “deploy the bicycle plan”, for the ministry of Education “offer inclusive and adapted schooling to all children with a handicap”, ...

√ A circular letter has been issued in June 2019 to reform central administrations and to emphasize the implementation part of the reforms.

A dedicated position has been created within Cabinets to monitor the implementation of the reforms.

Transformation plans have been incorporated within ministerial road maps with follow-up indicators for 40 reforms with « daily life objects » : classes divided by 2 for first and second grades in underprivileged areas, ...

√ A better link with the performance budgeting management system is being considered.

Let us recall briefly how the French performance budgeting system is structured. The framework covers the entire State Budget, mainly the general budget (86% of the total number of indicators).

The budget framework is organized according to the main public policies: 32 “missions” (Education, Research, Debt, Defence, Justice, Security, ...).

Each mission is made up of Programs (124 for the General Budget); for example the Education mission is made up of six programs from two ministries; five programs depend on the Ministry

of Education: public primary schools, public secondary schools, private sector, “pupils’ life conditions”, support program (administrative functions); one program depends on the Ministry of Agriculture: vocational secondary schools for this sector.

Each Program has two components: the budgeting side with “actions”, defined as budgets by destination, that encompass both salaries as well as other costs. For instance, for the public primary schools (prog 140), there are seven “actions”: pre-elementary education (5,5 Bn € in Budget Law 2020), elementary education (11,4 Bn €), specific educational needs (1,9 Bn €), substitute teachers (1,9 Bn €), management and educational supervision (1,4 Bn €), teachers continued training (800 M€), teachers in diverse situations (100 M€).

Each Program also has a performance side with objectives and indicators. For instance for the public primary schools (prog 140), there are two objectives and five indicators:

Objective 1: Lead all pupils to the common core of competence and skills as expected at the end of primary school

Indicator 1 Percentage of pupils, in the end of third grade, with the required level in main components of domain 1 “language to think and communicate”

Indicator 2 Percentage of pupils who enter the sixth grade at least one year later than the usual age

Indicator 3 Schooling of children with a handicap in primary schools – 3 subindicators

Objective 2 Contribute to a balanced town and country planning policy thanks to the efficient use of allocated credits

Indicator 1 Number of academies with appropriate allocation (given the allocation rules)

Indicator 2 Difference between the “supervision rate” (number of teachers for a hundred pupils) in priority schools and not priority schools

Indicator 3 Percentage of teachers with 5 years and more length of service in their school, in priority schools and not priority schools

It is obviously not possible to make a causal link between any “action” and the performance indicators; therefore it is not possible either to make any direct link between the performance results and budget allocation. «The performance framework is not designed to establish a direct link between the targets and the credits: a raise in credits without results improvements means weaknesses in designing or organizing the related public policy (Budget Directorate) ».

In order to do so, it is necessary to carry on academic field surveys and evaluations to

understand what happens when we reduce the number of pupils by classroom, when we use different school formats, etc...

At this point it is important to explain the definition of performance in the French Budgeting system as it was defined with the LOLF (organic law for Finance voted in 2001, implemented in 2006). There are three dimensions for performance:

- Effectiveness: from the citizen's view, does the policy reach the targeted goal? Indicators are very different and relate to the core objectives of policies:
- Efficiency: from the tax payer's point of view, is the policy cost-effective? Indicators mostly measure productivity (number of acts by civil servant) or unit costs, or administrative costs as a percentage of total cost ...
- Quality of service: from the user's point of view, is the public service properly delivered? Indicators mostly measure user's satisfaction, or time to delivery.

In the 2020 Budget, indicators for effectiveness represent 49% out of the 676 indicators for the General Budget, efficiency: 33%, and service 18%. This reflects the fact that the State plays a central role in most public policies; the relatively low share of service indicators also reflects the fact that the State has subcontracted to operators or to the private a lot of "production" services.

In addition, since 2015, indicators at the Mission level have been given more visibility in order to better reflect the strategic goals of public policies. There are 92 mission level indicators, 30% of which are specific, meaning that they do not exist at the program level. For instance, France's position in the "Doing business world index" by the Worldbank is a mission indicator for France's attractiveness for the Economy mission. Furthermore the "NEET index" (number of 18-24 year olds, without any higher secondary school degree, not in Employment, Education or Training) is a mission level indicator for the Education mission.

The performance framework has been examined with special attention by the Supreme Audit Institution on the occasion of its report on the 2018 budget execution. They conclude that, in France as in most countries, it should be "refounded", in order to be more used, by ministries in their internal management dialogue, by the Parliament during the Budget debate, and to inform citizens.

The Budget Directorate is working on the following directions.

Effectiveness or impact indicators should be preferably adopted for the Mission level.

Effectiveness indicators relate to economic and social development, access to healthcare, education, security, ..they reflect the level of the country's ambition. Such policies involve many actors: several ministries, local authorities, firms and households themselves... so it is difficult to put the responsibility of the results on the Program Manager solely as supposed by the LOLF. Such objectives should be better articulated with the political objectives of the Government, such as in the UK with "Single Departmental Plans", which encompass credits appropriations. For instance, it would be useful to incorporate the "Culture Pass" initiative for which special credits and a dedicated information system have been implemented.

Efficiency and service indicators are appropriate at the Program level because the Program Manager is supposed to be in capacity to monitor them; therefore, better links should be made with ministerial management dashboards which often include many activity indicators; themselves being activity drivers for the credit side.

Information about the context and international benchmarks has been incorporated to give background to performance indicators.

According to the Transparency Program monitored by the Directorate for Transformation of Public Action (cf part I), 100% of state services receiving citizens and users will have to publish satisfaction rates and specific performance indicators. It has been done principally for Social security, Employment, Police, Courts of Justice, Prefectures. Effort is being made to coordinate and integrate transformation programs and mid and long term budget performance indicators.

The intention remains to reduce the volume of budget documents to facilitate their use by the Parliament (Budget documents are evaluated to 20,000 pages in 2018 by the SAI).

An experiment aims to review the framework for a Program to try to combine strategic presentation, performance objectives, indicators and credits. Given the global structure of the budget, with structural disconnection between the performance side and the budget side, this might probably not be feasible for all programs. This could then lead to a performance framework limited to some areas of public policies, as seen in the Netherlands for instance.

At last, it is important to continue to develop information and communication towards the public. All performance data are available on the open-data platform monitored by Etalab and a hackathon has been organized to stimulate analyses. "Performance data" is a synthetic document, available since 2015, that captures key figures and graphs about the 32 State Missions, available

on the Budget Directorate website called “Performance publique”. This website will be updated in order to enable datavisualization on demand.

The Supreme Audit Institution pointed out that the performance framework had to be part of a wider management system that encourages collective and individual performance with development of contracts and greater autonomy for managers.

In regard to budgeting and accounting regulation, there is a will to give public managers more autonomy, thus further simplification has been decided. The decree GBCP (Budgetary and Accounting public management) of October 7th 2012 has been revised on September 2018, with 4 evolutions:

- suppression of a reporting process on management accounting (CAC) in the performance annual reports because it did not appear useful to operating managers;
- differential controls by Budget controllers according to the internal control processes used;
- suppression of lawfulness control by the Budget controllers on human resources decisions for State and agency staff: this finalizes the evolution of their role from control towards budget sustainability and accounting quality monitoring ; sector managers are now accountable for the legal aspects;
- Other simplifications on the spending chain and the accounting rules were decided

▪ *As a third axis, beyond quality of public services and the effectiveness of public policies, it is necessary to recreate trust between citizens and the “authorities”.*

√ From a legal aspect, in order to create a trusting relationship both with individuals and businesses, a law was passed in August 2018 « Law for a State at the service of a trust society ». This law is based on two major principles: trust and simplification.

The first idea is that people have “a right to make mistakes”, they are supposed to be of good faith unless the administration demonstrates the opposite, the burden of proof is reversed. This is especially important for small businesses in the field of taxes, social contributions and controls about the work legislation. A “yellow card” will be delivered before a “red card”, except of course for fraudsters and repeat offenders.

The second idea is to simplify the law and make administrative services more assessible to the public: concentrate with a “referent” the different processes relevant to a given category (for instance: health, employment, family benefits), adapt the opening hours, avoid over-transposition of European regulation, digitalize the most important procedures – as previously mentioned. It was also decided to experiment the right given to some Prefects or Regional Health Authority Directors to adapt the regulation given the local specificities.

This is an important and innovative measure in France where the relevant norm is supposed to be universally applied.

This view might be developed and extended, regarding the competence of different local authorities, in the 3D Law “Decentralization, differentiation, deconcentration” under preparation for 2020.

Considering that the way decentralization works in France needs to be updated with a view of the different situations of territories in France; this law should provide some answers to the difficulties of the French territorial governance, a multilayer of intricated competences. Different rules might be applied to different situations, this would be a major change in the French legal tradition of uniform regulation everywhere.

√ The HATVP High Authority for Transparency of Public Life is a council which aims to prevent conflicts of interest for the most important elected representatives and Directors. The HATVP was created in 1988 with the development of the culture of “prevention” of corruption, strengthened in 1995, 2011 and finally 2013 after the Cahuzac scandal. This Authority is a structure of approximately 50 agents in charge of collecting declarations of interests and wealth from the most important public managers, ministers and even the members of their Cabinets. As of February 1st 2020, it has taken over the role of the Ethics Commission relative to public agents.

√ ENA Ecole nationale d'Administration : this famous School has been created after the war in 1945 to democratize access to the High Public Function thanks to competitive exams that would avoid class discrimination. The School produces each year about a hundred new graduates, who have gained a leading role not only in the administration but in the government of the country: four presidents of the Republic since 1958, eight Prime ministers, numerous ministers, leading positions in banks, insurance and even in the industry sector. Despite the original objective of democratization, 80% of the students still come today from privileged classes and this School has become a symbol of elitism and technocracy, criticized during the yellow vests crisis. In April 2019, the President of the Republic asked for a report about the way to go, that has just been released. The author, Frédéric Thiriez, a lawyer, makes 42 recommendations, among which a form of merger between seven training Schools dedicated to the High Public Function. The government will announce its decisions in April 2020.

√ As a way to overcome the general mistrust described in Part I, France Stratégie's recommendation is to « cope with mistrust ». This section directly comes from France Stratégie's report on Expertise and Democracy (Daniel Agacinski, dec 2018).

‘Coping with mistrust’: does not mean surrendering to it, but rather taking it seriously, attempting to use citizen-led expressions of mistrust for support to incorporate them into expert bodies with three objectives: respond to citizens’ questions as they ask themselves the questions; make expertise, its productions and its uses more understandable to all, and bring together the various cultures of stakeholders who are often unaware of the constraints and interests of others.

In order to answer citizens’ questions, the report suggests:

- a Defender of the Right of Access to Expertise that can be accessed online, in order to offer a public response to queries raised by citizens and to the questions they ask themselves concerning public action issues that could be enlightened by scientific knowledge;
- a drawing right for citizens on public interest research work inspired by issues identified by the Defender of the Right of Access to Expertise;
- the creation of citizen committees responsible for supporting various public policy assessments.

In order to make expertise, its productions and its uses more understandable:

- a greater transparency of expert referrals made by the executive power;
- a body specifically dedicated to discussion between Human and Social Sciences and the Government, in a bid to facilitate interactions between researchers and policy makers;
- setting up independent services responsible for assessing public policies in key ministries;
- an extension of the capacities of Parliament’s counter-expertise, to promote debates informed by a range of sources during discussions on draft laws and the assessment of their implementation;
- opening up debates on the production and use of statistics to the general public.

In order to bring the cultures of various stakeholders together:

✓ circulation tools for the expertise of field stakeholders within French ministries to facilitate reporting of lessons that have emerged from practice, and to enable officials to find answers to their questions;

✓ a public multimedia network for the promotion of scientific literacy and simplification of the status of research for subjects being debated;

✓ joint training courses for those preparing to take up various roles in positions of expertise: not only training researchers in public speaking, but also training political and administrative officials, as well as journalists, in epistemology and the scientific method.

✓ *Develop direct communication to listen to citizens’ expression*

The idea of a Great national debate emerged during the yellow vests crisis and it turned

out to be an unexpected success. A “multichannel” program was urgently organized:

- 10,134 local meetings organized; 50% of meetings were organized by elected representatives, mostly mayors, the remaining by associations or individuals.
- 16,300 « citizens papers » left in city halls
- more than 1,9 million contributions on a dedicated website
- 27,400 letters or e-mails received

Seventeen regional conferences were also organized to gather proposals from professional representatives, trade unions, local authorities All this material has fed the proposals of the government to come out of the crisis; today it has been given to academics for research. An important observation has been that people want to take part in the political debate; the time between two elections seems too long now and it appears necessary to find ways to associate the citizens to public life. Some of them are already active and take part through political parties, unions or associations, but it is necessary to also involve the less participative segments of the population. In the Great national debate for instance, retired people were over-represented, and the opposite for young people. A study by “Ecole urbaine de Sciences po” for France Urbaine (association of large urban areas) shows that it is difficult to get participation to citizens’ debate from young people, as well as lower class, foreigners, households with kids and working people.

Improve design and implementation of reforms by citizens implication

A major stake today is the ecological transition and people’s awareness about it has developed strongly for a year. In his speech after the Great Debate on April 25th, President Macron announced that a Citizens Conference on the Climate would be organized within the CESE which is the Council for Economy, Social matters and Environment, and the third assembly in the French Republic. 150 citizens have been randomly selected to start working in October 2019 to April 2020 to make “structuring proposals to decrease greenhouse gases emissions by 40% by 2040”, taking into account social acceptance issues. They work on five major issues : to feed, to produce and work, to consume, housing, mobility.

The selected participants are supposed to be representative of the French population in terms of gender, age, level of education, activity and territories. Participants will have spent seven week-ends together, listening to specialists to understand the problems, before they begin discussing proposals. The Governance committee is composed of twelve experts and is copresided by Thierry Pech, President of Terra Nova, a French thinktank and Laurence Tubiana, Managing director of the European foundation for climate, negociator of the Paris Deal on Climate. There is also a “guarantor” committee.

The proposals will be publicly passed on to the President of the Republic, who has committed to submitting them for referendum, to the Parliament for a vote, or to direct regulatory application.

This “unprecedented democratic adventure” as President Macron called it when he visited the Conference in January 2020 is being carefully scrutinized from abroad.

2 Assessment and lessons

Three range of conclusions may be suggested after reviewing these various elements;

1. Improve policy making through a better collective use of public policy evaluations

It has become “mandatory” for a government to produce effective results, or at least significant improvements, on at least some public policies.

People are used to things working fairly well in their everyday lives: e-commerce has made it easy to order and get products the next day and inefficiency has become less and less accepted. There is pressure put on the conception and implementation of public policies to maximize their probability for success: probably through analysis, evaluation and planning.

Public policy evaluation has been a recurrent theme in the political and administrative life for the past thirty years : special committees have been created within the National Assembly, some of them times disappearing a few years later; inspection bodies carry out a lot of qualitative evaluations but a lot of them are kept secret; many consulting firms work for local authorities but their independence is often a question.

However, for two years, the question of public policy evaluation has emerged very strongly in the debate among specialists: some members of Parliament, coming from the academic field or the private sector are very motivated to promote a new way of making the law, the Supreme Audit Institution has extended its expertise to be able to assist the Parliament on this new Constitutional role (since 2008), the Government has commissioned France Strategie on several evaluations and more and more forums deal with this subject.

The stake now is to make good use of ex-post evaluations to imagine effective public policies, which is a major challenge in terms of methodology, access to relevant data, time reconciliation between evaluation and policy making, bridge making between government, university, the Parliament and social partners.

2. Develop new ways of involving citizens in public decision making

« Listen, Dialog, Proximity »: a change in method was announced by the President of the Republic that was supposed to be used for the key Pensions system reform (Aug 26th 2019)

with the launch of citizen debates. However given the high sensitivity of this major reform the progress of negotiations ended up being difficult with trade unions. A major strike took place in the transportation system for five weeks, with reasonable support by the population. The law is now in discussion at the National Assembly, with some opponent parties having registered more than 40,000 amendments which led the Government to use a special procedure to cut off the debate.

If successful, the Citizens Conference on the Climate might be a stepping stone for a new way to involve citizens in policy making. The Council for Economy, Social matters and Environment would see itself as the host for such citizens expression.

3. A new role for territories and proximity: the structuring role of climate change as a common goal

Facing the VUCA world, Volatile Uncertain Complex Ambiguous, citizens seem willing to recover proximity: France has a special stake regarding the structure of its territory, with a strong cultural attachment to less populated areas and “human size agriculture”. As a complement to digitalization, it is necessary to think of physical sites and human support. The challenges to imagine a sustainable future could give to climate change a structuring role to foster community thinking to anticipate and invest in the future : energy, water, artificial intelligence, education and training, ... Territories might be the opportunity to think and act horizontally, beyond silos.



Trust in Public Spending: Measures and Recent Initiatives in Canada

Derek Armstrong (Treasury Board Secretariat, Canada)

Abstract

Building trust in public spending is both a simple goal and complex undertaking. Fundamental to this undertaking is establishing credibility and stability around financial reporting, and encouraging transparency and discourse about the outcomes of government expenditures. Effective ways to achieve credibility and stability include implementing a financial information strategy with transparent, easy-to-access, and relatable reporting. The public service plays an important role in increasing the resilience of trust in public spending, partly by working to codify good practices in law and operational directives, and partly by maintaining the key elements of a trustworthy system even in the event of spending scandals. Canada has successfully implemented a financial information strategy, flexible reporting tools (GC InfoBase and ‘Titan’), and succeeded in improving discourse on public spending while pursuing elements of performance-informed budgeting. Other recent developments in Canada include the appointment of a Parliamentary Budget Officer and the availability of several public reporting sites that detail the performance of government programs or progress against political priorities. Further trust in public spending could be achieved in Canada by better integrating spending and reporting best practices into budget processes.

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The author was Executive Director (Results Division) at the Treasury Board Secretariat of Canada (TBS) from 2018 to 2020, having served in other spending and finance related roles since 2004. In 2013, his team launched what became the GC InfoBase, an online database of

financial, people, and results data. As the co-chair of a Director General working group of Data Leads, he also contributed to work that culminated in A Data Strategy Roadmap for the Federal Public Service. The author expresses appreciation to discussants and commenters present at the 8th KIPF Forum held September 2019 in Seoul, who provided useful feedback over the course of the forum. Additional comments have been incorporated from senior officials in the Office of the Comptroller General of Canada and the Results Division of TBS. Finally, warm thanks to the Korean Institute of Public Finance for supporting the work included in this volume. The views expressed in this chapter are those of the author and do not necessarily represent those of the Government of Canada.

1 Introduction

Trust in government is an all-encompassing question of values, competence, fairness, access to justice, political priority, and other factors.⁶⁾ Building trust in the institutions of government can be pursued through multiple avenues, yet these avenues all share a common feature: support through the expenditure of public funds. Direct activities of government are funded through the salaries of public servants who implement these activities, and the procurement expenses for materiel to make project-related activities possible. Indirect activities of government, such as foreign policy commitments or diplomatic relationship building are cemented in their follow through, none of which would be possible without support from the public purse. It is not a stretch to assert that every single action of the executive and legislative branches of any country governed through representation has behind it the power of currency collected in the name of its people. For this singular reason, spending of public money carries with it the weight of public expectation that it be done in a manner commensurate with the trust that represented citizens have conferred to elected government officials.

Creating trust in public spending represents part of overall efforts to build or maintain trust in public institutions since it enables citizens to understand how government spending impacts their lives. At a minimum, citizens must be furnished with basic, understandable facts about how public funds have been spent before they will engage government in discourse on public spending – how much has been spent, when, and on what? Most countries that report on public spending do so in an accounting framework that explains how expenditures have been accounted for and offers some form of assurance that the spending has been carried out in a verifiable and trusted manner.

6) OECD (2017), *How Better Governance Can Help Rebuild Public Trust*

Credibility of this simplest form of reporting serves as a foundation for more complex discourse about other meaningful assessments of public spending, such as purpose, relevance, effectiveness or efficiency. It also facilitates more complex discussions that go beyond the simple nature of spending to examine, and judge, whether the policies of government are well-targeted or well-implemented, or both. Such introspection and reporting provides healthy fodder to support public debate and to allow citizens' groups to advocate for policies and programs that address their needs. Ultimately, credible and trusted public spending assists citizens in holding their elected governments to account.⁷⁾

Trust in public spending requires the persistent presence of certain reporting and environmental factors before it can take hold in a mature and persistent way itself. Other factors may contribute to general trust building, such as credibility of action or appropriateness of political choices, but these simply aid (or hinder, depending on the case) citizen perception of the trustworthiness of public spending. A mature public spending system must first establish that reporting is credible, that the system is stable, and involve both government institutions and the public in ongoing discourse on important aspects of spending.

2 Credibility in public spending

Credibility is a necessary condition for trust in public spending to emerge. Credibility in the context of public spending is characterized by several features of financial reporting. First, financial reporting must be open and balanced, meaning that both good and poor results are published – essentially an institutional form of honesty. By reporting in this manner, a government establishes a public record of evidence related to what spending has taken place, regardless of criticism or embarrassment that poor results may trigger. This acknowledges the responsibility that a government has, as a public institution, to account for its expenditure of public funds.

Open and balanced reporting is not enough to establish credibility, however. Public spending reports must also be understandable, clearly explaining what is being presented in a way that permits readers to comprehend what has transpired. A delicate balance between openness and understandability also comes into play since it is not uncommon for understandability to be frustrated by openness. Such a situation arises when the cost of consuming and analyzing a large volume of public report becomes so great as to prevent most parties from accessing the insights that could be derived from this analysis.

Canada's federal government reporting fell into this category prior to 2013, when annual

7) Theoretically, unelected governments could create a system of credible and trusted public spending. However, there may be no direct pathway for citizens to use public spending information to hold such a government to account.

public reporting on planned spending, public accounts, and results of spending by programs was collectively presented in nearly 170 separate volumes⁸). Producing five-year government-wide trends required consuming and analyzing approximately 850 volumes which, at a modest and understated estimate of 50 pages per volume, meant consuming more than 42,500 pages of financial reporting. The technical and salary costs to develop simple trend analysis of top-level government spending meant that only government budgeting institutions and a handful of dedicated think tanks could access this information. The volume of analysis meant that even Canada's parliamentary committees tasked with reviewing government spending plans did not systematically have trend data available when they were interviewing departmental witnesses about spending plans.

In addition to openness and understandability, credible public spending also requires that what is being reported has reasonable value. Practical reporting, a practice of presenting and explaining spending elements that are most likely to be meaningful and useful to readers, is important for establishing credibility. As an example, Canada's federal spending estimates from 1867 listed detailed allocations for the individual salaries of public servants, or sundry goods for office operations. Today, rotely publishing spending at such a fine level of detail would elicit criticism for being both costly and impractical, since few individuals would be interested in having this information.

Similarly, measuring and reporting the performance of activities that matter, as opposed to measuring activities that have little inherent importance to citizens, further indicates that the government is focused on what it considers important to undertake. Measuring impacts associated with training programs, for example, through robust frameworks to measure employment, income, or reliance on social support systems helps generate knowledge about program design and effectiveness. Measuring administrative elements, such as the number of training sessions attended or counts of program participants, to present them as the outcome of government interventions fails to secure a credible link between public spending and the reason for which the programs exist. Reports on 'easy to count' outputs often satisfy casual examination, but critical and engaged observers will quickly comment on the logical gaps. This can hinder establishing or maintaining credibility in public spending.

8) Reports on Plans and Priorities and Departmental Performance Reports, as they were known prior to 2017, were prepared annually by approximately 85 departments and agencies. Along with 3 volumes of Public Accounts, planned spending and accompany explanations could only be brought together by laboriously combining the data of the roughly 170 volumes published annually.

3 Stability in public spending

How public spending is examined also plays a material role in establishing the credibility of the system within which that spending takes place. It must be theoretically possible to examine spending knowing that the information being presented is of reasonable quality and accuracy, and that the manner in which it is presented will remain similar from report to report. In such an environment of stable, accurate reporting, experts and the public can develop familiarity with the reports and express their views on what is presented.

Stable public reporting requires structured accounting frameworks and reports that are predictable in both format and content across reporting periods. Governments in most advanced economies require accounting against a chart of accounts using methods founded in national or international accounting practices. Not only does this instill a basic level of consistency for the financial aspects of reporting, but it permits aggregation across many operational units (departments, bureaus, ministries, agencies, or whatever name applies) whose operations are otherwise unrelated. A chart of accounts also permits systematic application of accounting principles by financial officers and government accountants. Together with reasonably consistent report formats and content, ongoing application of internationally accepted accounting principles through a chart of accounts allows the development of trend information. Trends in various aspects of public spending, whether high-level descriptive statistics or operations-level details, form a useful basis for applying value judgements about the efficacy of government activities and policy.

4 Discourse in public spending

Stability and credibility are both important to building and maintaining trust in public spending, yet they are not sufficient on their own. Citizens whose funds are spent by their government may struggle to relate to reports of public spending if they cannot meaningfully discuss and debate the facts. In this respect, credible and stable financial reporting establishes a common record that serves as a basis for debate and discussion, without requiring the facts of ‘what’ has occurred to be re-established at each juncture. By publishing such information in a proactive way, with efforts to communicate through various channels (both delivery and style), citizens and critical observers can be engaged on a ‘push’ basis, rather than having to rely on their own monitoring efforts. Creating a public record that is openly and widely reported helps reduce the labour of understanding a government’s spending and, by extension, the effort required to judge the government’s efforts and to participate in public discourse.⁹⁾

Public discourse on spending is further strengthened when spending is relatable and its results can be demonstrated. Presenting spending in such a way that people from a variety of backgrounds and perspectives can consume the information is a particular challenge. For example, expenditures by public institutions and national governments often total billions of dollars (or their equivalent in local currencies). Such amounts can be difficult for most individuals to relate to since the value expended has no basis in most people's lives except as an abstraction. Few individuals have actually spent sums of money that approach this magnitude. As a consequence, direct reports of spending or changes in spending found in public accounts often leave citizens with few features comparable to their own lives. This lack of connection can lead to disengagement or apathy towards government activities, leaving only particularly motivated, educated, or partisan observers to participate in discourse about government spending. This disconnect is not only the haven of private citizens, but is also present where public servants face the same difficulty in understanding the relative magnitude of the spending they manage. The common sense (and more critical thought) filters that help ensure quality of spending may underperform if spending proposals are hard for decision makers to relate to. Yet, for citizens and public servants alike, presenting spending in terms of "dollars per participant" or "dollars per capita" for program-specific or nation-level, respectively, often immediately brings magnitudes in line with what people can imagine and understand.

Relatable public spending remains important in explaining the value of any results that are achieved, or demonstrating the impact of government programs. Once spending is presented in terms that fit within what is experienced by individuals in their daily lives, they can begin to make value judgements about the associated impacts of that spending. Taking a hypothetical example, suppose that there is a \$50 million program that aims to help new graduates gain valuable job experience. A program presented this way is little more than a sound bite on its own. But presented as a program that will help 10,000 students gain job experience, it becomes a \$5,000 subsidy per individual participant. Assuming that 75 percent of participants gain experience that lands them a long-standing position, it becomes a \$6,667 subsidy per individual to successfully pair them with long-term employment. Instead of a \$50 million abstraction, the program's impact can be analyzed and compared with the plethora of existing job-finding services provided by private and non-profit entities. Communicating information about public expenditure while transforming it to better allow individuals to distinguish important signals, even when doing so could be harmful to political interests, is an act demonstrating both accountability and placing trust in the recipients. Positioning government spending in this manner fosters a more genuine discourse between the government and interested individuals.

9) Examples of public spending reports that facilitate discourse include the GC InfoBase (Canada) and USAspending.gov.

5 Resilience of trust and the role of the public service

History is rife with examples of why trust in public institutions is difficult to establish and easy to break. Even as trust is built by, spending scandals, deteriorating confidence in political leaders or government institutions, political polarization and vilification all conspire to reverse any gains. In Canada, examples from recent memory still have long-lasting effects on the daily operations of government. The sponsorship scandal¹⁰⁾ of the early 2000s brought down a government that had been in power since 1993 despite being credited with rescuing the country from a perilous financial situation that threatened to bankrupt the federal government. Even more recently, spending by the leader of another major political party was deemed inappropriate and resulted in his resignation and damage to the party's political brand.¹¹⁾ Occasionally, these breaches of trust also occur within the public service and serve to damage confidence in the public institutions that are held to a standard commensurate with the important role they play in serving the public.

When trust is broken, often it is instruments of the government itself that identify and compel action to rectify the situation. Supreme audit institutions, internal audit teams, program evaluators, and external experts often figure prominently in tracing the source of inappropriate, ineffective, or even illegal behaviours. The political damage of illegal and inappropriate behaviours, especially related to spending, is often immediate while ineffectiveness may generate a more apathetic response among citizens. Despite the source of any breach of trust, both the political and apolitical levels of government play an important role in retaining what aspects of public trust in public spending are possible, and working to re-build and further that trust in future. Non-partisan bureaucracies arguably have the most important role in re-achieving trust since they serve the government of the day, even after a government has left office as a consequence of spending scandals. The bureaucracy is responsible for pursuing and maintaining key elements of trust in public spending regardless of the political cycle, particularly by remaining responsive and honest in the face of scrutiny, but neither passive nor sensationalist.

Despite spending scandals that have occurred in Canada over the course of the past two decades, discourse on federal spending has matured due to foundational improvements in the stability and credibility of financial reporting. This has come partly as a result of capacity building

10) Public report summarizing the sponsorship scandal: <https://www.cbc.ca/news2/background/groupaction/>. Detailed findings of the Gomery Commission's inquiry into the sponsorship scandal can be found in two reports from 2005 (<http://epe.lac-bac.gc.ca/100/206/301/pco-bcp/commissions/sponsorship-ef/06-03-06/www.gomery.ca/en/phase1report/index.asp>) and 2006 (<http://epe.lac-bac.gc.ca/100/206/301/pco-bcp/commissions/sponsorship-ef/06-03-06/www.gomery.ca/en/phase2report/index.asp>)

11) <https://www.macleans.ca/news/andrew-scheer-is-stepping-down-as-conservative-party-leader/>

and professionalization of the financial functions of government departments, through initiatives such as the FORD program, which delivers a standard curriculum to entry-level financial analysts¹²⁾, or the Senior Executive Advanced Finance and Accounting Program (SEAFAP), which builds the technical acumen of senior decision makers.¹³⁾ Benefits from the influx of financial management capacity provided by increased professionalization have also derived from advancements in the accounting practices and organizing frameworks applied to accounting operations.

However, the more powerful organizing force in Canada was the completion of the Financial Information Strategy (FIS) in 2001 and the subsequent implementation of a Chief Financial Officer (CFO) model. The importance of putting FIS in place was summarized in 2003 by the Commonwealth Secretariat in London:

FIS represents a government-wide initiative to enhance decision-making and accountability across government, and to improve organizational performance through the strategic use of financial and non-financial performance information. It is a prerequisite of introduction of accrual accounting and to the success of both modern comptrollership and Results for Canadians as it directly supports three of the four key elements of modern comptrollership, and the information it provides is fundamental to linking expenditures with results. However, FIS is not so much about accounting as about accountable decision-making and its ultimate success will occur when programme managers and other non-financial specialists become adept at using and applying good financial and non-financial information in their daily decision making to improve accountability and organizational performance. Focusing on people, policies and systems are all necessary for success. While all of these represent significant challenges, the key is not number crunching, but managing for results.¹⁴⁾

A stable government-wide chart of accounts has provided core links between operational accounts for the past two decades, particularly after the advent of accrual-based budgeting in Canada in 2003. Responsibility for Canada's federal chart of accounts is shared by the Treasury Board of Canada Secretariat, insofar as accounting policy and structure, and by the Receiver General, who maintains the accounts and codes necessary for publishing the chart of accounts. Guidance and standards for coding against the chart of accounts are widely distributed and the chart itself is made available electronically through open Canada's open data portal.¹⁵⁾

Discourse on federal spending in Canada has also improved alongside the creation and maturing of prominent independent institutions engaged in public discourse. Canada's Auditor

12) <https://www.canada.ca/en/treasury-board-secretariat/corporate/job-opportunities/careers-finance-internal-audit/careers-finance.html>, accessed February 6, 2020.

13) Talent and Career Management in the Financial Community, Presentation, Treasury Board Secretariat, <https://www.acfo-acaf.com/wp-content/uploads/2017/06/OGG-EN.pdf>, accessed February 23, 2020.

14) The Canadian Experience of Public Sector Management Reform (1995–2002), p. 111.

15) <https://www.tpsgc-pwgsc.gc.ca/recgen/pceaf-gwcoa/index-eng.html>, accessed February 6, 2020.

General has undertaken significant efforts to modernize and standardize its communication of audit findings, resulting in a predictable schedule of audit reports that touch on issues of importance both operationally and for reasons of public interest. Findings of the Auditor General provide important public updates on issues that would potentially be difficult for government departments to report on from a government-wide perspective, or which require independence of perspective for a variety of reasons. Similarly, the role of Canada's Office of the Parliamentary Budget Officer (PBO) has stabilized and matured since it was created in 2008. The PBO conducts regular inquiry into budget- and spending-related matters, whether costing estimates for procuring equipment and materiel, or analysis of performance reports related to departmental results. Notably, the PBO has a legislated mandate to publish, upon request, estimates of the cost of election platform commitments made during the course of federal election campaigns, most recently in 2019.¹⁶⁾

6 Recent developments in Canada

Canada has largely demonstrated the foundational elements required to build trust in public spending over the past two decades since the Wall Street Journal declared Canada “an honorary member of the Third World in the unmanageability of its debt problem.”¹⁷⁾ Innovations have been adapted to the Canadian federal setting, such as accrual accounting and more direct improvements in the management and reporting of financial operations, just as prolonged economic growth and a relatively stable fiscal situation have underpinned spending plans. More recently, Canada has drawn from the lessons of ‘deliverology’ as applied in the United Kingdom under the Tony Blair government during the first part of the 2000s. Although much of Canada’s experience with ‘deliverology’ may be cast in a political light, there were several important initial outcomes of the enthusiasm that it brought.

Shortly after the October 2015 election of a Liberal government, development began on a new policy to better organize the efforts of Canada’s federal performance measurement and evaluation communities. The Policy on Results was brought into force on July 1, 2016, to improve the achievement of results across government and enhance the understanding of the results government seeks to achieve, does achieve, and the resources used to achieve them.¹⁸⁾ This marked a significant step toward a performance-informed budgeting system insofar as the policy

16) <https://www.pbo-dpb.gc.ca/en/blog/news/ADM001—evaluation—election—proposal—costing—2019—performance—estimation—out—promesses—electorales—2019>, accessed February 6, 2020.

17) <https://www.wsj.com/articles/SB890957015280369500>, accessed February 11, 2020.

18) Policy on Results, <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=31300>, accessed February 11, 2020.

sets conditions to instill a culture of evidence-based decision-making when designing (and implementing) programs and policies. Evaluation reports, for example, are now reported publicly by each department that undertakes them and this information is readily available to decision makers. By creating the official role of Head of Performance Measurement, and considering both evaluation and performance measurement functions together, the Policy on Results aligns several of the components required for applying evidence to decision making. Though performance measurement and evaluation functions have previously been combined at the federal level, it is the first time this has taken place in an environment of both structured accounting frameworks and plentiful computer processing capacity.

New departmental reporting and analysis infrastructure is also now in place that is meant to reduce the labour of standardizing, collecting, analyzing, and reporting performance-related information. For example, departmental results frameworks (DRFs) and performance information profiles (PIPs) have been created to characterize the activities and objectives of all government programs, linked to central financial systems. An internal-to-government IT system (nicknamed ‘Titan’) introduced late in 2018 allows easier departmental reporting, analysis, and access to all reported program performance indicators. Public reporting has also matured with the creation of the GC InfoBase in 2013, such that the public now has direct and searchable access to the same performance information as is submitted to the Treasury Board Secretariat by federal departments.

Developing these simple, but enabling, systems for performance reporting has positioned Canada’s federal government to improve the stability of its public reporting on spending. The most direct benefit has been to reduce the cost of understanding program performance and spending over time (trend data). With this information available publicly through the GC InfoBase, federal public servants and any member of the public can converse on a consistent basis concerning the motivations behind spending, rather than first having to establish the facts of what spending occurred. This has enabled a better quality of discussion by decision makers and other interested parties.

The introduction of ‘Titan’ has also facilitated monitoring and assessment of indicators. Analysts within the Treasury Board Secretariat can now systematically examine and challenge indicators to encourage fewer changes in how program performance is measured. ‘Changes of convenience’, where indicators are re-tooled to present more flattering results or narratives, are expected to decline. This hypothesis is now testable due to the availability of the ‘Titan’ system, both at a government-wide and department level, and allows the Secretariat to intervene with organizations where indicator changes are more prevalent. Over time, the operation and improvement of GC InfoBase and the ‘Titan’ system will contribute to enhanced stability of reporting on Canada’s finances.

Improved stability of public reporting is one of several consequences of these new reporting

and IT systems, and the associated policy and decision making process that they support. However, the direct link between departments' data and public reporting forces greater departmental attention on the quality (and credibility) of performance measures. Rather than simply reducing the ambitiousness of program targets, departments must now consider the long-term viability and reasonableness of how they measure progress towards program objectives. This reasoning is often reflected in the quality of publicly-reported measures, lending credibility to discussions of progress and the related spending. Over time, the widespread availability of trend data based on mature (or maturing) progress measures is expected to improve the collective understanding of how the government is progressing against its objectives.

These improvements in stability and credibility of public financial reporting have been carefully balanced against well-known consequences of increased transparency or visibility. In practice, many federal departments also track non-public performance indicators for a variety of reasons, including operational and experimental. This allows them to consider measures of operational efficiency or effectiveness, or to trial new indicators that may improve performance understanding, without immediate and direct public scrutiny. This is an important feature of building trust with reporting entities; if they are held immediately and harshly to account in the full public eye, they are often less likely to attempt improvements on their own initiative that could be beneficial to taxpayers. 'Titan' offers flexibility to track indicators non-publicly and then publish them to the public GC InfoBase if desired in the future.

Discourse on public spending in Canada has arguably been improving as a result of these reporting improvements. Spending and performance is now presented in a more relatable way, using less technocratic language, though opportunities for improvement will always exist. Public reporting through the GC InfoBase has become the primary source of financial information for media, think tanks, Parliamentary institutions and many government departments because it is reliable, timely, and understandable. It essentially serves as a common record.

Meaningful performance information is easily accessible for any program in which Canadians are interested without searching through a complicated maze of reporting documents. GC InfoBase offers basic search functions that present contents by subject, keyword, department, and official program names, or fragments thereof. This has contributed to a noticeable shift in the nature of information requests received under federal access to information laws. In the Treasury Board Secretariat, more questions are now received about program performance, rather than basic requests on spending. Information furnished to public requestors has become more meaningful as a result. New performance reporting is sparking discourse, both partisan and non-partisan. In a "post-factual" world replete with competing sources of information that support polarizing viewpoints, easily accessible and effectively neutral information sources have taken on greater importance.

Further evidence of improved discourse was seen at the federal level in Canada when the

country held its 43rd general election on October 21st, 2019. While the 41st general election in 2011 resulted soon after in the creation of an online ‘election commitment tracker’ led by academics from the University of Laval, the 2019 election was ultimately contested with three separate sources of information on the government’s performance.¹⁹⁾ The University of Laval’s Trudeau Polimetre was joined by performance information published in the GC InfoBase regarding the ongoing operations of government and a mandate letter tracker published by the Privy Council Office.²⁰⁾ This marked the first occasion when information on both politically characterized and ongoing operational objectives, along with an independent and competing source (i.e. the Trudeau Polimetre), was widely available and easily searchable during a federal election campaign. Though the majority of citizens voting in the 2019 election likely did not avail themselves of the performance and spending information available in these web platforms, the ready availability of data for fact checking or inquiring into basic aspects of government spending and performance marked a new high-water mark for federal transparency.

7 Assessment, lessons, observations

As this chapter highlights, building trust in public spending is both a simple goal and a complex undertaking. Building public trust starts with foundational elements before tackling the harder, and usually less defined, aspects of culture and resilience. Recapping, necessary steps for building trust in public spending can be summarized as:

1. Establish a strong financial information strategy that links financial and human resource information to performance results.
2. Develop information collection and dissemination systems to make reporting and analysis easier and less costly.
3. Codify the culture and enable actors to participate widely in reporting and discourse.

Canada has been largely successful in building and maintaining trust in spending by federal institutions, especially with the improvements of the past two decades. The Financial Information Strategy launched two decades ago yielded structured reporting and a distributed capacity to enact

19) The Polimetre, an election commitment tracker created in 2013, kept accounts of academic assessment regarding the fulfilment of election campaign promises. A book tabulating such assessments for commitments made by all federal governments, and several provincial governments, during the past several decades was released during the 2019 campaign. A national news publication discusses aspects of this book at <https://nationalpost.com/news/politics/a-look-at-policy-areas-scrutinized-by-a-new-book-on-the-trudeau-government>, accessed February 16, 2020.

20) Mandate letters contain formal instructions from the Prime Minister to cabinet ministers about their objectives and the manner in which they should pursue those objectives, during their time as cabinet ministers. Mandate Letter Tracker: Delivering Results for Canadians, <https://www.canada.ca/en/privy-council/campaigns/mandate-tracker-results-canadians.html>, accessed February 16, 2020.

financial policies across the federal government (this latter through the Chief Financial Officer model). Financial reporting has also been linked to program performance results, though the same link has yet to be established between program performance results and human resources information. Significant recent progress has been made in Canada on establishing information collection and dissemination systems, with the GC InfoBase and Titan systems, which have made internal and external reporting both more consistent and easier. The full benefits of these information systems have yet to be realized, however; using their contents for analysis will require substantial work (already underway) to organize and relate the information in a way that will permit users to pursue initial lines of inquiry without undertaking heavy data ‘munging’. Financial reporting practices have also largely been codified in Canada, through the annual FIS manual and other operating instructions for presenting spending estimates to parliament. Practices around defining and reporting results are in a period of transition to maturity now that nearly four years have elapsed since 2016 when the Policy on Results entered into force, and two years since its government-wide implementation. Work remains to establish a consistent dialogue on results, including their financial aspects, between public servants, the executive branch, parliament, and the general public.

Whether the progress made in Canada translates into general trust of public institutions is a question complicated by the complex and evolving relationship between the political and bureaucratic levels of government and the general public. In government, the public generally does not distinguish between ministers and the departments they lead, nor do they typically separate accountability for programs delivered by different levels of government. As Tony Dean writes in *Building Better Public Services*, “...if any group of non-executive public servants are brought together, especially those working outside of provincial or national capital cities, and [is] asked “who is in charge of the public service” it is not uncommon to hear staff say that the national prime minister or provincial premier runs the public service.”²¹) The same is often true when citizens are asked about who delivers services to Canadians, though most recognize that certain services are almost always national, such as the armed forces. For this reason, the challenge of building trust in public spending becomes generally inseparable from building trust in public institutions and from trust in governing political leaders and structures. This challenge is exacerbated in representative democracies where the same discourse that is used in examining and improving spending, such as auditor findings, is frequently weaponized in charged political discourse. The resulting risk aversion can hinder open discussion between government and citizens while also stunting decisions that might have longer-term benefit.

In general, government executive branches (or their equivalents) will want to implement an ever-shifting set of policies which may or may not align with existing operations and programs. This propensity is often more evident when political leadership changes, usually as a result of

21) Dean, *Building Better Public Services*, 2015, p.135.

an election, and can take on an appearance of ‘changing one’s mind’. It is not uncommon for political parties to campaign on the basis of ‘undoing’ the work of current or past governments. This has important implications for building trust in public spending, as it would in most relationships between individuals. Policy and budget developers, and their watchdogs, must consider the political and operational context in which they operate.

First, politically-motivated programs may never be cost effective. By their very nature, some government programs provide services or value that market forces or the voluntary sector are unwilling or unable to. Yet citizens may elect representatives who promise to fill the void. In such cases, spending may strive to be demonstrably effective, but may never be in a position to demonstrate cost effectiveness. Governments are often obligated to operate in marginal environments that private enterprises would never considering serving, such as remote or hard-to-access communities.

Second, available performance and related spending information is usually imperfect. Bringing imperfect performance information to bear on government programs in stark, absolute terms may encourage the program’s minders to do better, but less-than-glowing reviews will likely become politicized even when well intended. Establishing and maintaining open discussion about performance measures, their shortcomings or benefits, and positioning criticism constructively is more likely to elicit program performance improvements. Communicating performance measures and expectations in advance in a simple, understandable manner also helps to encourage progress.²²⁾ In the case of new programs, for things that have never been tried, performance information may not exist at all. Sometimes an honest “This has never been tried before...” disclaimer can help temper expectations about the anticipated outcomes.

Finally, even if all aspects of government performance and spending could be measured, they should not be. Measuring performance can be costly and take capacity away from ensuring that program objectives are met. If staff of a health agency, for example, spend a significant portion of their days filling out timesheets to track every activity, they will not be spending that time providing services. Rather, prioritizing and measuring what is important, when it is important, will help to balance this use of scarce resources. Performance measurement should be carried out in a monitoring and diagnostic spirit; a few tests can be performed (like a blood pressure reading) to determine whether the important things are on track, but the full battery of tests can be reserved for situations that demand deeper knowledge of what is occurring.

Even within such a political and operational context, steps can be taken to maintain trust in public spending once it has been built. Strengthening the foundation for public trust through credibility, stability, and healthy discourse can help minimize reversals as political winds change.

22) Performance.gov offers a variety of themed management priorities and related action plans which outline planned milestones and performance measures for the coming months. 2020 Action Plan Progress for the Federal Data Strategy is a useful example, presented at <https://strategy.data.gov/progress/>, accessed February 23, 2020.

Legislative tools can help to cement credibility and stability in this foundation by codifying the value of performance-related practices and making those practices predictable and a part of enduring government culture. Legislative examples of such practices include the Government Performance and Results Act (1993), its successor Government Performance and Results Act Modernization Act (2010), both from the United States. More recently, the Canadian Gender Budgeting Act (2018) brings focus to spending impacts by gender and other diverse communities:

Once a year, the President of the Treasury Board must make available to the public analysis of impacts in terms of gender and diversity of the existing Government of Canada expenditure programs that the President, in consultation with the Minister of Finance, considers appropriate. (S.C. 2018, c. 27, s. 314)²³⁾

Operational directives can also serve this purpose, though they may be less enduring than legislation. In Canada, instructions for Departmental Plans and Departmental Results Reports are issued annually to government departments, including guiding principles and specific instructions on performance reporting. Resilient examples from the United States include the ongoing practice of Strategic Reviews and the familiar Part 6 of Office of Management and Budget circular A-11.²⁴⁾ When such directives are issued predictably as part of established processes, bureaucratic cultures evolve to incorporate them. The longer that operational directives remain in place in this manner, the greater the likelihood that training, planning, and decision making will embed related behaviours in successive waves of public servants. On the positive side, the difficulty of changing the resulting culture can be a moderating influence where, for example, credible and stable behaviours are not legislated and new government leaders might seek to reverse gains supporting credible and transparent reports on spending. Similar cultural factors may, however, also create inertia that presents a challenge to rapid reform even when it is positive.

Given the difficulty with which building and preserving trust in public spending let alone any public institution is achieved, it is important to draw on any available opportunities to entrench useful practices in legislation or bureaucratic culture, or both, if any gains are to be preserved. Building credibility and stability into budget decision making processes, while engaging in open discourse with the public and legislative bodies can help. Budget processes are perhaps the most visible focal point for demonstrating sound practices and a learning mindset, though their inherently political nature makes it difficult to find a lasting foothold. Regardless of where gains in building trust in public spending come from, it is imperative to find ways to weather the storm of politics, spending scandals, and resistant cultures that will combine to push back the clock. Once achieved, such trust is too fragile and valuable to be squandered.

23) Justice Laws Website, <https://laws-lois.justice.gc.ca/eng/acts/C-17.2/FullText.html>, accessed February 18, 2020.

24) OMB circular A-11, https://www.whitehouse.gov/wp-content/uploads/2018/06/a11_web_toc.pdf, accessed February 18, 2020.

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IV

Value for Money and Trust in Government - Evidence from the Netherlands

Maarten de Jong (The Court of Audit, Netherlands)

Abstract

Internationally, the budget community has been struggling with the issue of value for money and trust in government for a long time. The communis opinio can be described as the performance hypothesis stating that quality of public goods and services leads to satisfaction and satisfaction leads to trust in government. An alternative hypothesis is that performance transparency increases the availability of potential bad news on government performance to report from, reinforcing a negativity bias towards government. Both hypothesis may hold some truth.

Like most OECD countries the Netherlands turned to performance-based programme budgeting as a way to increase value for money for citizens and to be more transparent about government spending. Judging by the available figures, trust in government in the Netherlands does not appear to be as low or dwindling rapidly as in some other countries. In spite of this, sentiments of an increasing gap between government and ordinary citizens have dominated the media over the last few decades and are thought to have fuelled the rise of support for populist political parties.

Studies from the Netherlands Institute for Social Research (Jonker 2012) show that better governance correlates with better public sector outcomes in OECD countries. Higher performance however does not seem to be associated with more confidence. The complexity of this relationship is illustrated by the variation in national and sectoral outcomes. Direct service delivery to citizens is a powerful factor that impacts trust in government but is underemphasized in current performance reporting of the Netherlands. In addition, while there is little evidence that value

for money and transparency is able to increase or restore trust in government, the reputational impact of bad performance tends to be much more direct and powerful as recent incidents in the Netherlands demonstrate.

It is easy to see how overpromising results and policy impacts can feed disappointment with government in the eyes of citizens. The oversimplified logical models that often form the basis of PB performance frameworks may not be helpful in this respect. This notion was one of the reasons the PB system in the Netherlands was reformed in 2012/13. More recent reforms focused on improving transparency by creating an internet platform for budgetary and performance data as well as requiring more details about effectiveness and efficiency for new spending proposals. Performance audits by SAIs are instrumental for both transparency and value for money but not surprisingly, audit reports are mostly used to highlight negative findings. It is up to the government, not the SAI to respond adequately to such a negativity bias.

More strategically communicating results may provide a counter narrative for the negativity bias often displayed by the media. These effort should however not turn into propaganda and follow down the path of post truth politics. To be responsive and dominate the public debate and the media, resources need to be deployed to actively communicate a neutral, fact based message about government's successes and shortcomings. In addition, citizen's experiences with delivery of public services provides a particular powerful tool to influence citizen's perceptions and therefore deserves more emphasis in government performance frameworks.

Acknowledgements

It has been an honour and a wonderful experience to participate in KIPF's annual fora on government performance on several occasions. The event offers an unparalleled ability to exchange experiences and views on government performance management and budgeting with colleagues from cutting edge nations in this respect. It is hard not to be impressed with Korea's advancement in this, as well as other, areas of public administration. The idea to create a tangible result of last September's discussion in the form of this book is a good one and I am happy to part of the effort. I would like to thank dr. Jong Hak Weon and dr. Nowook Park for their hospitality and their cooperation over the last few years. I also would like to thank my colleagues from Korea, the US, Canada, France, the UK, the OECD, the World Bank and the IMF for their inspirational examples and contributions to the discussions. On a final note, I'd like to thank my current and former colleagues at the Netherlands Court of Audit and Ministry of Finance, respectively. In particular my thanks go out to dr. Jedid-Jah Jonker, whose publications proved very useful for this chapter and my director Joost van Hofwegen. It is a blessing to have managers

who recognize the value of international network activities and continues to provide me with sufficient flexibility to be part of them.

1 Introduction

Internationally, the budget community has been struggling with the issue of value for money and trust in government for a long time. The broad spectrum of reforms associated with performance and program based budgeting (PB) was meant to increase government transparency, accountability for results and increase value for money and appears to have done so with some success in many countries (e.g. Curristine 2005, GAO 2004, Van Nispen & Posseth 2006).

In addition to PB, initiatives such as Citizen's Budgets were intended to inform ordinary citizens about where their tax-money is going and what they are getting in return and to create more understanding for the business of government. Participatory budgeting goes one step further and seeks to increase legitimization of public spending by letting citizens be part of the allocation decisions. Despite the fact that these initiatives continue to attract attention, a consensus is emerging that they have yielded only limited success. In the absence of direct concrete personal implications on their lives, few citizens seem to be willing to invest their precious time in processing information on government spending. The latest trend has been the dissemination of government open data. Due to a lack of proper contextualization and the inability of most citizens to process and analyse raw open data, this sources of government transparency is unlikely to reach many citizens.

In spite of the different initiatives to increase government transparency and openness, trust in governments worldwide seems to be on a downward slope. Dissatisfaction with democracy appears to be at an all-time low (Foa et al 2020). In more and more places political leaders are even rewarded by their electorate to disregard or even ridicule government institutions and expert opinions. This raises the question what the relationship between transparency about government results and trust in government really is like.

Much has been assumed about the link between transparency about government's performance on one hand and trust in government on the other. Academically however not too much has been explicitly hypothesized on this matter. Conceptually a difficulty with this relationship is that trust may at the same time represent a cause and an effect of the level of government performance. The communis opinio can be described as the performance hypothesis stating that quality leads to satisfaction and satisfaction to trust in government. Following this hypothesis,

perceived outputs have to follow articulated demands (Bouckaert and Van der Walle 2001). When applied to government reform initiatives such as PB, the assumed relationship has been looking something like [Figure IV-1].

[Figure IV-1] Traditional performance hypothesis

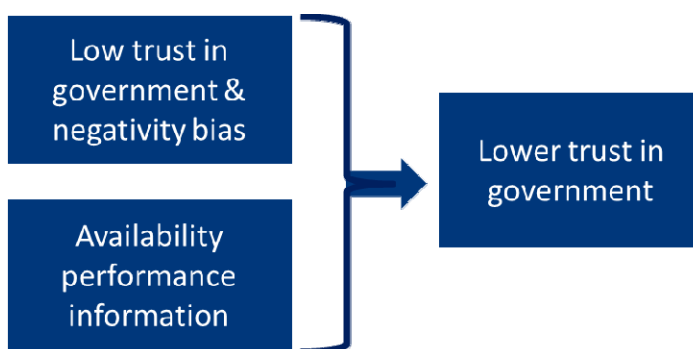


Most research has been focused on the first part of this relationship. The current consensus from quantitative academic research is that the impact of performance based reforms on performance levels has been neutral to mildly positive for most government tasks depending on their measurability and the way performance is managed (Speklé & Verbeeten 2014, Gerrish 2015). The second part of the relationship is much more problematic as the number of variables is greater and their interdependencies even more complex (Bouckaert and Van der Walle 2001).

If the traditional performance hypothesis would be valid, one would expect governments with successful PB reforms to have earned more trust from their citizens over the last few decades. However this does not seem to be the case as citizen's trust in government generally seems to be declining in most OECD countries.

An alternative (if not slightly cynical) hypothesis that may help explain what has been going on involves unanticipated consequences of transparency and the role of the media. If trust in government is low and we assume that the media feeds this sentiment by reporting more on government failures and problems rather than on government's successes and achievements (an assumption probably easily confirmed by checking last week's newspapers), the effect of making more performance information available must be quite predictable. Performance transparency increases the availability of potential bad news on government performance to report from, reinforcing the negativity bias towards government.

[Figure IV-2] Performance transparency paradox



This hypothesis may be useful to help understand the dynamics of what has been going on but can obviously not be interpreted as a plea to stop reporting bad news. The reputational damage of such a response would likely reduce trust in government even further.

A third and arguably more plausible explanation is that alternative variables have such a major impact on citizen's trust that they dwarf the impact of performance based reforms. To illustrate this argument, Ringeling distinguishes 4 criteria people can use for judging government (Ringeling 1993):

- Instrumental: effectiveness, efficiency
- Bureaucratic: legality, justice, possibilities for discretion in policy
- Contingency: representativity, receptiveness
- Symbols/values: political order, distribution of values

Clearly, performance based reforms are mainly target the first criterium and do little to affect the other three.

So what are dominant trends that may offer an explanation of decreasing citizen's trust? As there is not a large consistent base of scientific evidence available, a few raw untested hypotheses will have to do. The first two have to do with an increasing gap between expectations and perceptions of citizens.

Some have argued that people are expecting more from government today because traditional social structures such as family, church and local communities have become weaker in most countries (e.g. Fukuyama 1996). The pace of the demise of social structures and the rise of individualism varies per country and may help explain the impact on current levels of trust

in government in individual countries.

Secondly, citizens may expect more from their governments because they have come to expect more from private sector businesses. Instant gratification made possible by technological leaps such as mobile devices and the internet have not yet applied to most of the public services available to citizens. Although sometimes technologically feasible (e.g. e-government initiatives and smart cities), the different characteristics of the business of government will cause government to inevitably lose out when it comes to customer satisfaction. The conflicting goals of government (e.g. improving infrastructure and limit damage to the environment) will result in trade-offs that are bound to leave a substantial part of citizens unsatisfied. In addition many of the services government provides are common goods provided without consent of the individual citizen and with no direct visible benefit to them (e.g. defense).

Given these fundamental differences it can be argued that governments aggravated the problem of unmet expectations by referring to citizens and taxpayers as clients with the introduction of New Public Management in the 1990s. One only has to look at the prison system to see how confusing this term can work out: to which clients should the government listen most: the inmates or their families, the guards, crime victims, disturbed citizens?

Finally the fact that we have entered the information ages has had serious consequences that may easily be overlooked. Over the last 20 years, government has largely lost the monopoly on information it once had. For every assessment the government makes, be it an ex-ante study for constructing a railroad or an evaluation of the effectiveness of a social policy program, it has become easy for interest groups or media to find other sets of data to help justify a different conclusion. In a world of post truth politics and alternative facts, objective performance data and expert analyses may have become just another opinion.

Just like other OECD countries, the Netherlands has also been struggling with the role of public sector performance and its impact on citizen's trust in government. In the next section some Dutch examples and analyses will be presented.

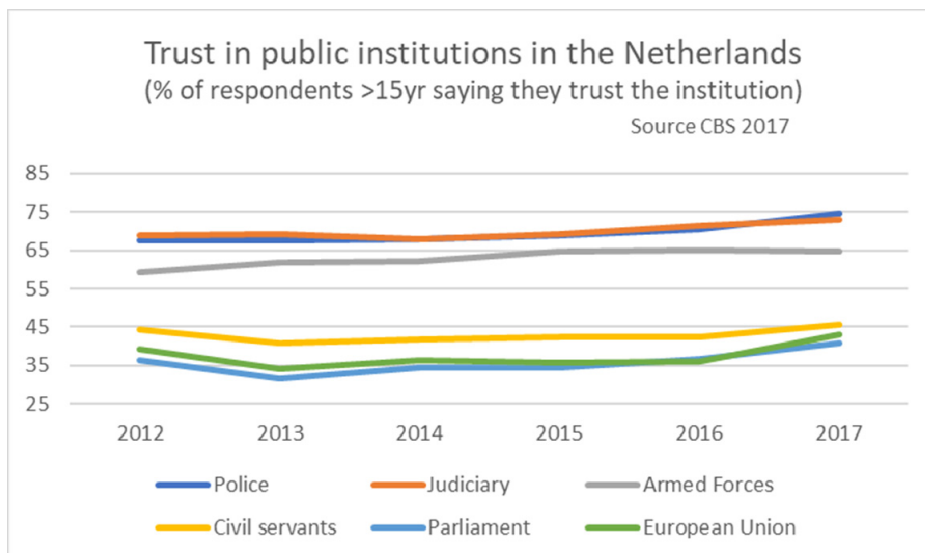
2 Current issues of trust of government and value for money in public spending in the Netherlands

Judging by the available figures, trust in government in the Netherlands does not appear to be as low or dwindling rapidly as in some other countries. For example democratic satisfaction is reported to be reaching all-time highs in the Netherlands. Together with small high income countries such

as Switzerland, Norway and Luxemburg, the Netherlands is even described to be part of an ‘island of contentment’ that just 2% of the world’s population call home (Foa et al, 2020).

The Dutch Statistical Bureau (CBS) has been measuring levels of trust in government over a long period of time and these appear to be generally stable in general (CBS 2017). One of the consistent findings is that citizens put more trust in government institutions than in politicians or civil servants as [Figure IV-3] shows. In spite of this apparent exceptionalism, sentiments of an increasing gap between government and politics and ordinary citizens have dominated the media over the last few decades and are thought to have fuelled the rise of support for populist political parties.

[Figure IV-3] Trust in government fairly stable, public sector institutions fare better than politicians and civil servants

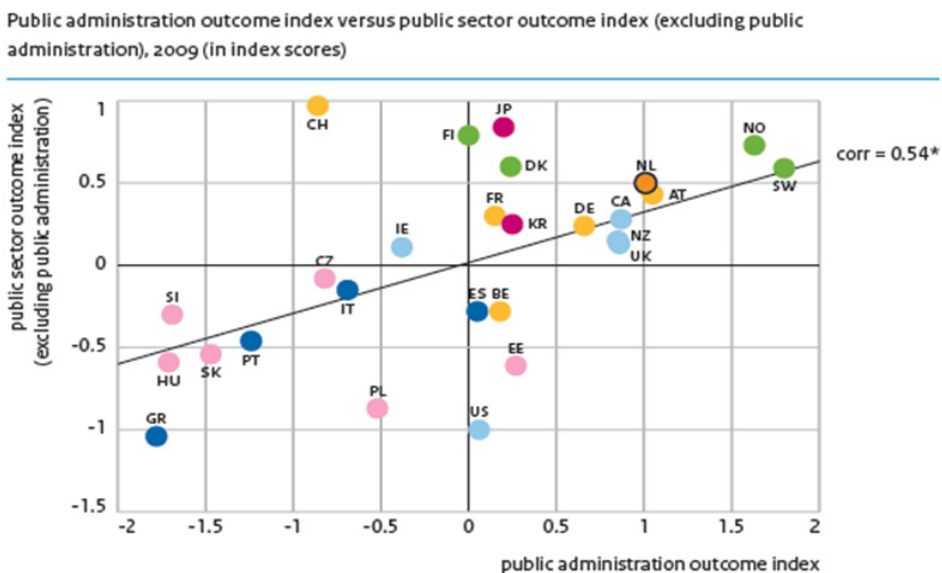


Given the performance hypothesis and the performance transparency paradox mentioned in the introduction, a relevant question to ask would be if relatively high trust levels could be explained from good governance and value for money in the case of the Netherlands. The Netherlands Institute for Social Research (SCP) studied this relationship extensively in an international comparative study published in 2012. In this research, good governance was proxied by a public administration outcome index. This index included a diverse set of indicators on corruption perception, voter turnout, use of internet to interact with government, efficiency of

the tax administration, regulatory enforcement, accountability and also the use of performance budgeting systems. All indicators were sourced from established international organizations such as the OECD, Transparency International and the World Justice Project.

The score of individual OECD countries on the administration outcome index was then compared to other variables including public sector performance in different areas of and confidence in civil services. By doing this both relationships of the traditional performance hypothesis were tested: the one between governance and performance as well as the one between performance and trust. The results showed a significant correlation between public administration outcomes and public sector outcomes, signifying that better run governments generally deliver better value for money. The Netherlands, like South Korea, was situated in the upper left quarter with a high score on both variables. It is important to note here that this correlation evidently does not prove the causal effect assumed in the performance hypothesis, namely that good governance reforms leads to higher government performance. Good government performance may have many other, untested, causes. Perhaps unsurprisingly, the study does confirm the conventional wisdom that a modern, well-run governments produce better value for money for its citizens.

[Figure IV-4] Better governance correlates with better public sector outcomes in OECD countries

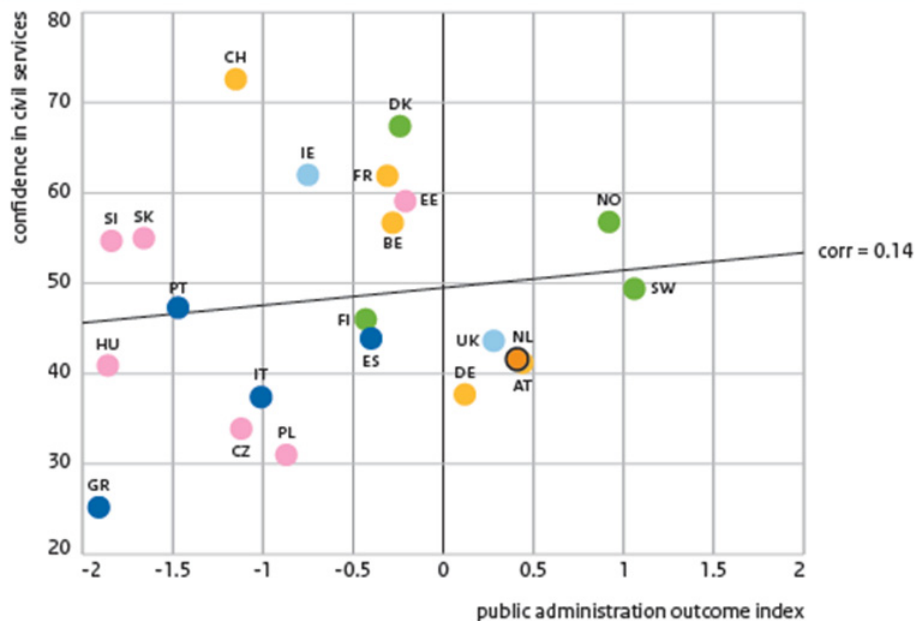


* Correlation is significant (p-value is 0.01).

While high scores for public administration do correlate with high scores for other public sector outcomes, this is not per se translated in a higher levels of confidence in civil services.

[Figure IV-5] Higher performance does not seem to be associated with more confidence

Public administration outcome index versus confidence in the civil service, 2009 (in index scores and percentages of the population)



Correlation is not significant (p-value is 0.53).

Source: Jonker (2012)

The complex reality of the second relationship of the traditional performance hypothesis, the relationship between government performance and trust in government is illustrated well by a breakdown of the results found in this study. The way good governance (as proxied by the public administration index) relates to confidence in government varies greatly across countries.

Performance is low in most Mediterranean and Central European countries and confidence in the civil service in these countries also tends to be low. Exceptions are Slovenia and Slovakia, where confidence levels are relatively high, given the level of performance. The reverse holds

for Norway and Sweden. For the Continental countries, a strong negative result is found. Germany and Austria combine a strong outcome with low confidence, whereas the opposite is true for Switzerland. The results for the Netherlands closely match those of Germany and Austria show good performance but low levels of confidence (Jonker 2012). This finding seems to be at odds with the relatively high levels of trust in democracy reported for the Netherlands a number of years later.

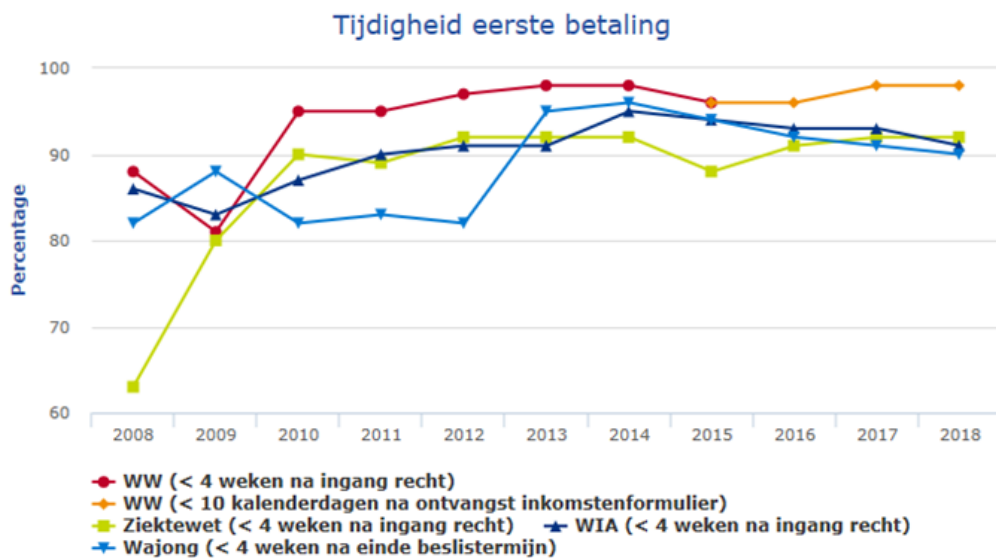
To verify the second part of the traditional performance hypothesis, the relationship between public sector performance and trust in government, the relationship between policy outcomes and confidence are the most relevant. Interestingly, this is where important sectoral differences surface from the study. Outcomes in health and education were positively linked with confidence while no significant correlation between outcomes and confidence were found for justice, police and social security.

If delivering value for money and being transparent does little for increasing trust in government, what could? Two sectors where these things seems to correlate, education and health, are both characterized by a relatively frequent interaction in the lives of average citizens. Could it be that interaction with citizens is underrepresented in traditional performance management and reporting in government performance frameworks and that these ignore what matters to citizens?

Looking at the current performance reporting of the Netherlands, service delivery to citizens does not seem to be strongly represented. One example is the Employee Insurance Agency (UWV) that reports on timeliness of processing requests for social security benefits as well as on how they are graded by welfare recipients.

[Figure IV-6] Timeliness of handling social security payments and customer satisfaction grades by the Netherlands employee insurance agency (Uwv)

	2014	2015	2016	2017	2018 target	2018 realized
Customer orientation:						
Average grade given by welfare recipients (scale 1-10)	7,0	6,9	7,1	7,2	7,1	7,0



Source: <https://jaarverslag.uwv.nl/uwv-in-cijfers> and www.rijksbegroting.nl

Another example is provided by the Netherlands Tax Service that reports on several processes that seem relevant to interaction with citizens.

Table IV-1 Performance figures of netherlands tax service

	Realized 2014	Realized 2015	Realized 2016	Realized 2017	Target 2018	Realized 2018
Complaints handled within legal term	87%	87%	82%	88%	90–95%	78%
Complaints handled within legal term	93%	97%	98%	98%	90–95%	98%
Client satisfaction	n.v.t.	n.v.t.	n.v.t.		>70% respondents gives 3 or higher on 5 point scale (neutral, satisfied, very satisfied)	
– telephone				77%		73%
– website				82%		79%
– desk				80%		82%
Client satisfaction	n.v.t.	n.v.t.	n.v.t.		<10% of respondents scores below 1,5	
– telephone				7%		10%
– website				5%		5%
– desk				7%		6%
Number of complaints received	16.253	14.586	13.105	11.145	Less complaints than previous year	12.393

Source: www.rijksbegroting.nl

Although the average annual figures reported do not seem to portray a dramatic deficit in service delivery to citizens, a few widely reported cases of ICT related mismanagement by these organizations really caught public attention during the last few years. The UWV website that was intended to largely replace human interaction between clients and employees suffered from serious growing pains resulting in high levels of annoyance by the public.

In an attempt to detect and combat fraud, the tax service employed radical algorithm assisted

methods that erroneously ethnically profiled innocent suspects. The relentless financial penalties erroneously imposed upon the families involved wrecked many of them both financially and psychologically. As a result two deputy ministers were forced to step down. No amount of transparent performance reporting is likely to be able to fix the disastrous public image of the Tax service for some time to come.

The point of these examples is that the aggregate satisfaction grades with government service delivery tend to obscure bad experiences. Such incidences gain much publicity and the reputational damage to the public sector that follows strongly impacts trust in government. In addition it is worth noting that while there is little evidence that value for money and transparency is able to increase or restore trust in government, the impact of bad performance on trust seems to be more direct. It seems true that when it comes to trust in government, the penalty for making mistakes is a lot higher than the gains by from delivering good services. Or, as a Dutch expression goes: 'Trust arrives by foot but leaves by horse' (meaning that building trust usually takes a lot longer than losing trust). What could be the implications of this observation for the way governments should manage performance, transparency and trust?

More in general external transparency has implications for internal management and these requirements are often overlooked. In a public sector culture that rewards the absence of bad news and public embarrassment of leaders, mandating transparency implies an apparent risk that information will be used in a penal way by top leadership. This perception is counterproductive to the aim of achieving an open culture where problems are detected and corrected pro-actively. It is easy to attribute these dynamics to authoritarian government systems or national culture. However such problems seem to be endemic to governments on a wider scale as OECD countries provide ample examples of attempts of public sector organizations reporting biased information or trying to cover up incidents. The presence of other elements of the accountability 'ecosystem' such as free press, critical and competent journalists, independent watchdogs etc. may however be more likely to limit the success of selective reporting and 'cover up' strategies by the public service.

Some countries have reported that transparency can sometimes come at the expense of the space needed for government to engage in an internal performance informed dialogue free from external scrutiny (Shaw 2016). To some extent government it can be argued that government requires some capacity to assess performance data in all its complexity before the press and interest groups use it to cherry pick soundbites from the information and perhaps create unavoidable political realities where a more objective thorough assessment no longer matters. Despite these challenges, the call for more government transparency, including open budgets and open spending, does not seem to be ending anytime soon.

3 Recent initiatives or measures to cope with the problem in the Netherlands

Like most OECD countries the Netherlands turned to performance-based programme budgeting as a way to increase value for money for citizens and to be more transparent about government spending. Under the acronym VBTB, translated as “Policy Budgets and Policy Accountability”, the traditional structure of the budget was extensively revised into a performance-based budget at the turn of the 21st century. In the new budget document, the content of each policy article was designed to answer three basic questions that were mirrored in the annual report: What do we want to achieve? What will we do to achieve this and What will be the costs? (De Jong et al 2013)

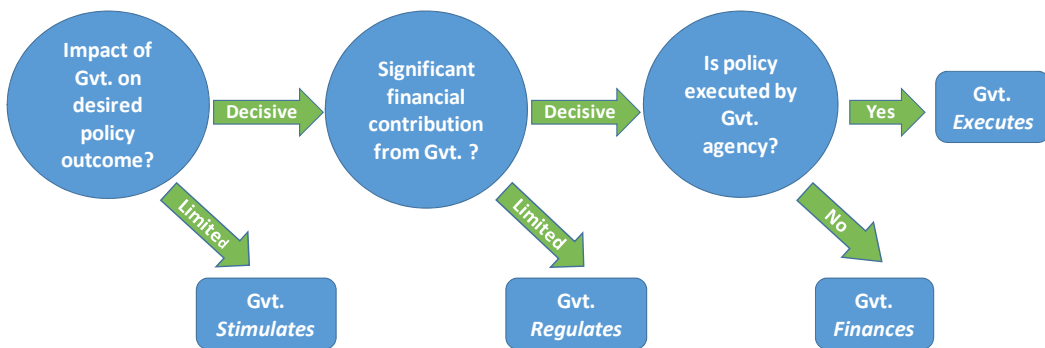
Initially a number of positive effects were reported regarding better design of government policies, a more intense dialogue between financial and policy units within government and increased budget transparency (IOFEZ 2004). Soon however a sense of disappointment rose. Ministries started to view the reporting of performance indicators as a compliance exercise. Parliament showed very little in performance data and if they did performance information was used in a symbolic use rather than analytical way.

The Ministry of Finance noticed that performance budgets were often used by line ministries in a way that inhibited rather than rewarded efficiency and effectiveness. This dynamic involved overpromising of politically desirable outcomes in the budget preparation and budget authorisation phase. By the time performance reporting was due, successes were attributed to successful policy and failures were blamed on circumstances beyond the control of the minister. The vital links between spending, government’s activities and outcomes seemed to be increasingly ignored. Instead the PB system fed the false assumption held by many that the government owned a mechanism to turn every political wish into a desired outcome, provided that enough money is allocated to the problem.

It is easy to see how overpromising results and policy impacts can fuel disappointment with government in the eyes of citizens. If the PB system were to survive, some drastic changes had to be made. The insights gained resulted in a comprehensive reform of performance budgeting. ‘Accountable budgeting’ was intended to retain the advantages of program budgeting while toning down unrealistic expectations about how performance data would be used. More input information was put into the budgets and inclusion of performance information was more selective. In addition, there was more emphasis on comprehensive and systematic policy reviews as the primary tool for assessing policy effectiveness (Moynihan&Beazley 2016). To prevent that the PB system

was used for overpromising the impact of policies and associated spending, the new ‘Accountable Budgeting’ structure required ministries to be explicit about the role they fulfilled with regard to achieving outcome goals.

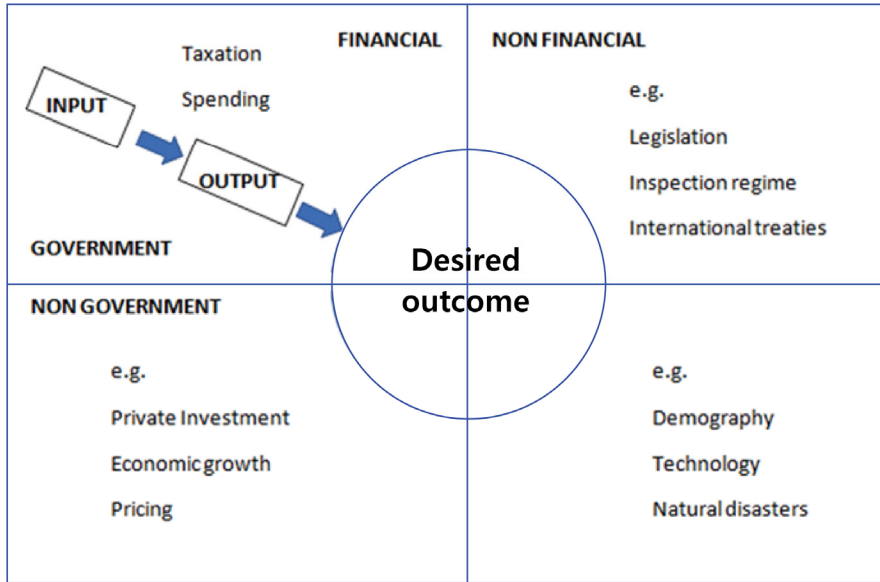
[Figure IV-7] **Accountable budgeting framework to assess the role of government in achieving the policy goals of budget programs**



Source: Netherlands MoF

As the Netherlands case demonstrates it can be argued that oversimplified logical models that often form the basis of PB performance frameworks oversimplify and exaggerate the influence government has on solving problems in society. In most cases the outcome indicators of government policies and programs are heavily dependent on all kinds of external factors that may or may not be taken into account. In any case a PB performance framework is meant to stimulate strategic thinking but is no substitute for strategic analysis. Part of this analysis is the question: how can government spending contribute in addition to other government instruments. Also the most relevant factors beyond government’s direct influence need to be identified and assumptions regarding these need to be made and regularly revisited.

[Figure IV-8] Outcomes matter but are often misaligned with traditional budget accountability



Source: Ho, De Jong and Zhao (2019)

About 8 years after introduction of the ‘Accountable Budgeting’ reform, many of the underlying problems it tried to address still seem far from solved. The political dynamics of ‘throwing money at a problem’ remains unaltered. The Ministry of Finance, pre-occupied for a long time with restoring fiscal health after the great fiscal recession, was often more focused on realizing budget cuts than engage in an analytical dialogue with line ministries about the way they tried to realize policy ambitions. Further strengthening of the PB performance frameworks the Netherlands could consist of measures such as mandating public access to explicit policy assumptions (the underlying policy theory) and integration a central set of key national indicators measured by an impartial institution such as the National Statistical Bureau. More importantly, a user friendly architecture for disseminating information about spending and results for the whole of government needs to be created and maintained (Algemene Rekenkamer 2019). Much information is already out there but is scattered across many websites along the traditional stovepipes of organizational and budget accountability. Citizens who seek information however, can not be expected to be knowledgeable of these internal arrangements of their government.

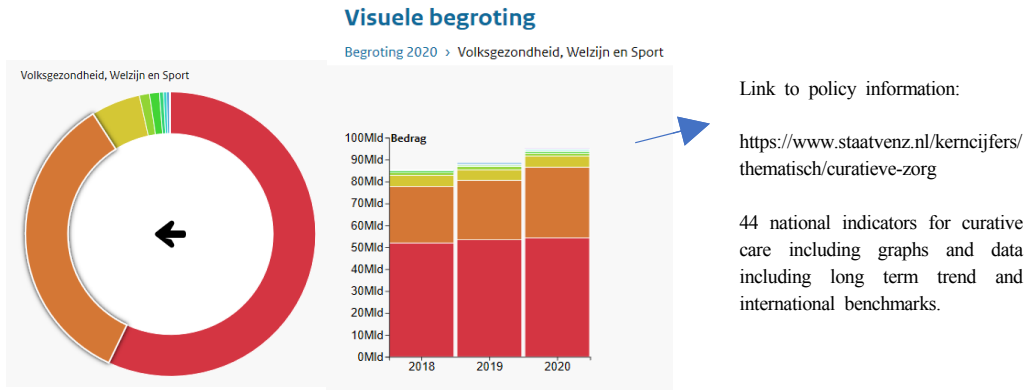
The ownership of a centralized ‘whole of government’ approach has so far been problematic in the Netherlands because of its fragmented nature of government (Algemene Rekenkamer 2019). A specific problem in the Netherlands is that it lacks a strong administrative center of government

as the constitution grants a large amount of autonomy to each line minister. This results in fragmented reporting by ministries and by decentralized government agencies. The dominance of decentralized silos in the administrative landscape is a liability when it comes to developing and implementing a holistic and comprehensive approach of managing what drives satisfaction with public services.

The limitations of the traditional budget process and structure to provide transparency and accountability and value for money have become increasingly clear as an increasing amount of information on policy effectiveness is becoming available from a diversity of sources within and outside government. The concept of a budget document as a portal that electronically discloses the various sources of financial and policy information may better serve the information needs of today's citizen and parliamentarian than reliance on a limited set of indicators that is susceptible to selective presentation and framing. The 'Accountable Budgeting' reform can be seen as a first building block towards a more modern budget presentation that meets the demands of the information age (De Jong et al 2013).

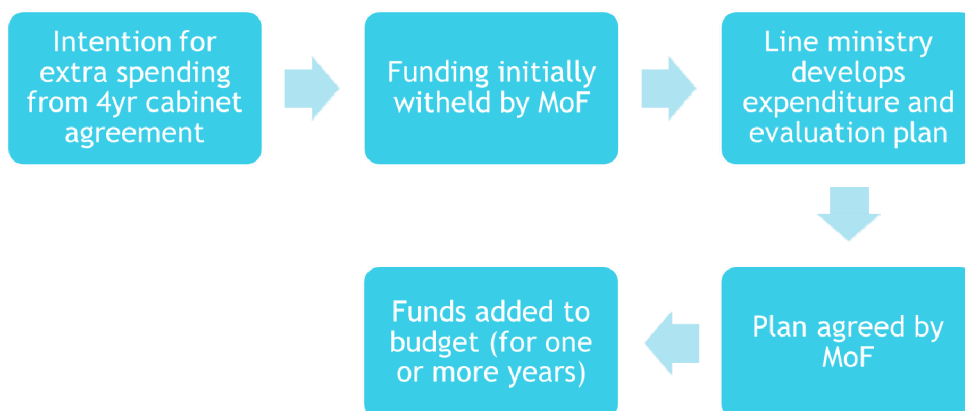
Building on this notion, Rijksfinancien.nl was launched in 2017 by the Ministry of Finance. On this portal open data about public spending is visually displayed and linked to program objectives, policy evaluations, performance indicators, contextual data. The site is gradually expanding since to include or relate to more information. Data quality issues soon surfaced during the creation of the platform leading to process improvements in assessing and consolidating financial data. As with similar portals in other countries the impact on citizen's trust is remote at best. Only a few well-informed citizens will invest time in navigating a portal like this, let alone use the data. The existence of a permanent digital place where one can go to look at government information about spending and results may however be an important asset in a world where citizens and journalist appear to be increasingly encouraged to influence public opinion with seemingly fact free claims.

[Figure IV-9] Digital portal combining financial open data and performance information: Example Article 1, Curative Care program of Ministry of Health



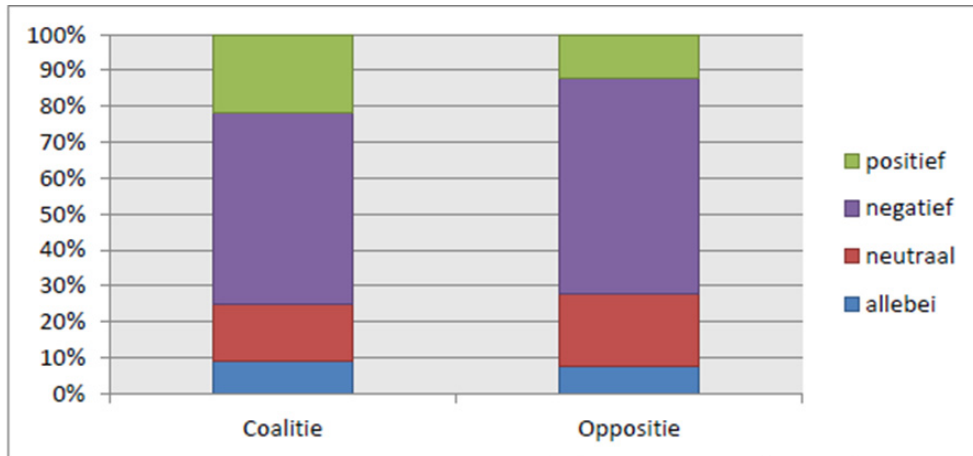
Source: www.rijksfinancien.nl

In a latest attempt to leverage the budget to create value for money, the Rutte 3 government introduced a new procedure in 2017 for the extra funding it allocated to priority goals from the government's coalition agreement. According to this procedure the Ministry of Finance only releases the extra funding to a line-ministry's budget after there is agreement about an expenditure plan that contains details about effectiveness and efficiency including goals, indicators and evaluation. The agreed-upon plans are however not made public but they are the subject of a multi-annual performance audit by the Netherlands Court of Audit.

[Figure IV-10] Assessing the impact of extra spending

The role of audit in assessing performance also needs to be discussed here. Having a strong independent audit function is a valuable feature in modern government for safeguarding the transparency, efficiency and effectiveness of government. A professional Supreme Audit Institution (SAI) is considered to be important to both value for money and trust in government. The nature of audit profession is aimed at bringing to light deficiencies that require corrective action. Given the performance transparency paradox (see [Figure IV-2]) the results of performance audits and other audits conducted by SAI's often get media attention that focuses on the negative findings. Even a balanced report will often end up as a negative headline in the media. So, paradoxically, the very efforts aimed at making government better, are perceived as a failure of government and help erode trust in government. Not surprisingly the negative bias in the use of audit reports are confirmed by looking at the way parliament in the Netherlands uses reports by the Court of Audit.

[Figure IV-11] Not surprisingly, members of parliament tend to use audit reports to highlight negative phenomena



Source: Budding& Faber forthcoming

The question is if and how an SAI should respond to these dynamics. It would inhibit an SAI's independence and the very essence of its role if it were to let perceptions about its message influence the audit findings it reports. In that sense trust in government is not an issue that a SAI should be concerned with in the first place. The important thing it seems is that if reporting on SAI reports suffers from a negativity bias and this would unnecessarily reduce trust in government, someone else should correct this image and restore a fair balance between good and bad news. Unfortunately the government itself is in a poor position to do this. For an already sceptical audience highlighting one's own successes may be easily disregarded as propaganda. An impartial assessment would therefore be more helpful but coming from an institution like an SAI would result in the earlier mentioned problem. A formidable Catch 20/20 situation.

4 Assessment and lessons

Although the level of trust in government and its decline does not appear to be as dramatic as in some other countries, the Netherlands is by no means immune to this international trend. Over the last two decades, the Netherlands has actively attempted to control and increase value for money and transparency for taxpayers as part of several waves of performance budgeting reforms. At the very least it can be determined that these efforts have not paid off in higher levels of trust as these remained generally stable.

The *communus opinio* in public financial management community, described earlier in this chapter as the traditional performance hypothesis, states that more transparency and performance management leads to better government performance which will result in higher trust in government. Although there is evidence that suggest a positive link between performance management and better government performance, a causal link between government performance and trust appears to be largely absent. The differences between countries and sectors suggests that trust in government is dependent upon many factors which makes it too complex to separately assess the influence of performance management and transparency. In addition, the reputational damage from incidents seem to impact trust in government more intensely than reporting good performance does on average.

Complex as it may be, the hypothesis that better value for money, via adoption PB, leads to more trust in government cannot be confirmed with the available evidence for the Netherlands, just as for other OECD countries. What does that say about PB as a governance reform? Firstly it should be noted that although transparency and accountability are facilitated by making data available, this just sets a base level of transparency. It does not mean that the public or politicians will automatically use this information (Moynihan & Beazley 2016). In addition, the selection and presentation of performance information as presented in government documentation is never free from selection, presentational and interpretation biases (Radin 2006, Moynihan 2008). In fact, agencies sometimes skilfully learn to use information asymmetry to legitimize their programs and financial claims in a PB system. So the real measure of success is not just the availability of performance information but whether this information is considered useful and reliable by others outside government, notably the media and the public.

Taking into account the modest contribution of PB to good governance, let alone to trust in government, it should be remembered that while the traditional performance hypothesis could only partially be confirmed, this does not mean that it is proven wrong either. In reality the

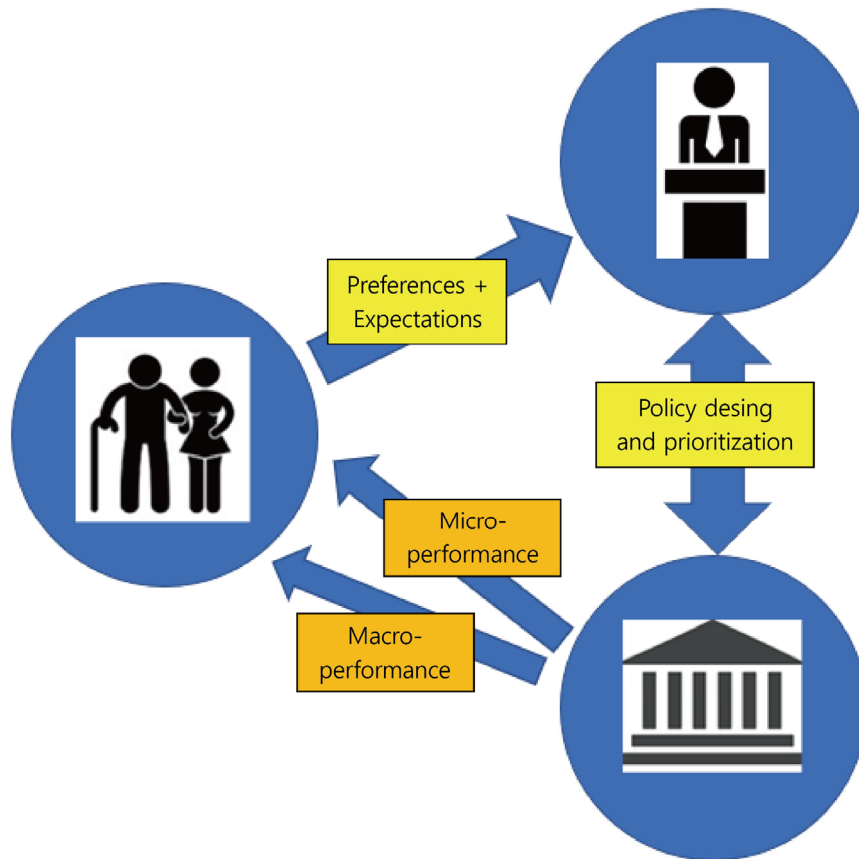
most politically satisfied societies are those in which institutions are transparent, responsive, and free of corruption (Foa et al 2020). Being competent and transparent is just not enough to build or restore trust in government. Moreover, as the performance transparency paradox hypothesized, the transparency of government may have even resulted in an overemphasis on bad news about government due to a negativity bias of the media. Nonetheless, as transparency, openness and value for taxpayers money have become the benchmark how would we expect trust in government would look without modern government and budget reforms having taken place?

5 Which way forward?

What should be a path forwards to reduce or stop eroding trust in government and what would be the implications to a government performance and accountability framework? Adopting a more complex model of citizen's trust in government let us assume that trust in government is a function of citizen's expectations, experiences and perceptions.

In a simplified model of Western democracies, citizens communicate their preferences and expectations to elected officials. The elected officials put the government bureaucracy to work to translate their ideas and priorities into policies and to execute these policies. Seen from the perspective of a government bureaucracy this would be the demand side while the results of policy execution would then form supply side towards citizens. These results can reach citizens in many ways. For reasons of simplicity let's distinguish here between micro performance of government where an individual citizen is recipient of delivery of public services (e.g. as a user of highways or someone requesting a permit) and macro performance of government where a citizen uses information to assess the impact of government policy on collective goods (e.g. readiness for climate change or capabilities of its safety apparatus).

[Figure IV-12] Simplified model of performance and accountability in western democracies with the bureaucracy's demand side in yellow and supply side in orange



A assumption underlying the traditional performance hypothesis is that perceived outputs should match articulated demands (Bouckaert&Vd Walle 2001). If citizen views of democracy have deteriorated in recent decades, then at least one simple explanation could apply: democratic governments simply have not been seen to provide effective policy solutions to pressing societal problems. The more visibly democratic governments appear to be failing to address problems of public accountability, economic governance, and transnational dilemmas such as migration or climate change, the greater the degree to which citizens perceive – with some justification – that their institutions are not delivering results (Foa et al 2020). Looking at the model in Figure IV-12, all four elements of the demand and the supply side of a modern bureaucracy

could contribute to this problem in their own way.

If citizen's preferences and expectations are not accurately translated into political priorities, even a well performing government will not be able to maintain, let alone restore citizen's trust. This step is important because it deals with the unarticulated assumption that citizens have a similar perception of success as the government ('good policy is good politics'). Recent analysis suggest that trust in democracy is not low because citizens' expectations are excessive or unrealistic, but because democratic institutions are falling short of the outcomes that matter most for their legitimacy (Foa et al 2020). Problems such as loneliness, insecurity about one's future economic position or a sense of disconnectedness felt by the lower educated are examples of widely felt problems in western societies that do not appear to be specifically addressed by governments. When dealing with such wicked social problems it is of course particularly important to engage in proper strategic analysis beyond traditional logical PB models to get a realistic idea of what government can do and how budgetary spending can contribute (or perhaps can not). A failure to deliver on promises in these areas is at great risk of further eroding trust in government.

In addition of politics being out of touch with citizens, the conceptualization of preferences and expectations into government policies and priorities may be part of the problem. Analysis suggests that citizens are rational in their view of political institutions, updating their assessment in response to what they observe (Foa et al 2020). However, measures to verify that policy design is (still) accurately addressing the problems of citizens are scarce. These can consist of engaging non experts in policy design and evaluation or actively monitoring citizen's perceptions and expectations. To prevent that policies of one silo of government unexpectedly compromise anticipated policy outcomes of other parts of government, ministries in New Zealand have to specifically assess the consequences of new policy initiatives on existing policies of other ministries. There are, at least in the Netherlands, very few examples of such strategies occurring at a regular basis.

Trust of citizens in their government develops in direct contacts with the executive government agencies that deliver services. Therefore, citizen's experiences with delivery of public services ('micro performance' of government) provides a particular powerful tool to influence citizen's perceptions. Nonetheless central government performance frameworks often underemphasize this type of performance results. This seems especially true in the Netherlands' where the central government's performance framework was traditionally focused on aggregate outcomes to society ('macro performance' of government). Generally central governments operate at a greater distance from citizens compared to local government. It may therefore not be surprising that city government (e.g. Buenos Aires) offers more inspiring examples of actively managing citizen's perceptions than central governments. The delegation of the delivery of public services semi-independent agencies and the lack of a strong center of government in the Netherlands

may contribute to a low awareness of citizen's perception at the level of the central government. This is for example illustrated by the fact that the tax telephone information line controls the length of its waiting lists by automatically disconnecting excess callers without offering them the opportunity to provide customer feedback. The tax telephone information line is one of the most frequently used interaction platforms between the government and citizens in the Netherlands. Such practices would therefore be unthinkable if citizen's trust would be actively managed using a common risk based approach.

Even if the government may be prioritizing the right things in the eyes of citizens and is able to deliver appropriate policies, it may be communicating the wrong results at the wrong time. More strategically communicating results may provide a counter narrative for the negativity bias often displayed by the media. This should however not turn into propaganda or be fact free. In order not to follow down the path of post truth politics, it is vital to communicate reliable facts. These, of course, will usually be the government's interpretation of facts, as most performance information is too complex or technical for the public to engage in. So it has to be acknowledged that some degree of framing and cherry picking may be unavoidable. The data that are interpreted should however always contain a reference to its sources and preferably be available as open data and be presented in a way that invites rather than discourages alternative analyses.

Government communication is often reactive and opportunities are missed to proactively respond to concerns in society and the media. To be responsive and dominate the public debate and the media, resources need to be deployed to actively communicate a neutral, fact based message about government's successes and shortcomings. SAI's and other independent watchdogs can support a fair debate by appropriately timing their messages and by not compromising their impartial image.

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Connecting Performance Management and Citizen Trust: How Buenos Aires Integrated Delivery with Public Accountability

Martin Alessandro²⁵⁾ (Government of the City of Buenos Aires, Argentine)

Abstract

Trust in government has been in decline globally in recent years, with few exceptions. Several factors appear to influence this trend, but a number of studies have shown that the perceptions of government performance and integrity are strongly connected to citizen trust. This article analyzes a governance innovation in the City of Buenos Aires, Argentina, intended to enhance both performance and public accountability.

This innovation consisted of the public announcement of priority goals for the Mayor's term in office (2016-2019), with specific targets, trajectories and deadlines, and the continuous and proactive reporting of the progress made towards delivery. These "public commitments" were managed through a systematic methodology of performance monitoring and improvement, led from the Center of Government. Rigorous impact evaluations through randomized controlled trials have documented the positive effect of this innovation on citizen trust, especially when actual performance matched the public commitments taken by the government.

This article describes the innovation and its impacts in detail, presenting findings and lessons for other governments seeking to strengthen the confidence of citizens on democratic institutions.

25) Martin Alessandro, an international consultant on performance management, led the Delivery Unit within the Secretary-General's office in the Government of the City of Buenos Aires between 2015 and 2019. Previously, he worked for the public management division of the Inter-American Development Bank (IDB) in Washington, DC and in Buenos Aires; and as Research Director at the National Institute of Public Administration (INAP) of Argentina. He holds a Master of Public Policy from the University of Maryland, College Park, where he attended on a Fulbright scholarship. Contact information: www.linkedin.com/in/martinalessandro/.

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1 Introduction: the decline in trust and the effect of government performance

Trust in democratic institutions appears to be eroding in most countries (OECD, 2018). 2019 registered the highest levels of dissatisfaction with democracy since they began to be measured globally in the mid 1990's (Bennett Institute for Public Policy, 2020). In the United States, where confidence in government has been measured for several decades, recent years have marked record lows, with only 17% trusting the government would “do what is right always or most of the time” (Pew Research Center, 2017). In 2018, only 22% of Latin Americans had trust in their national governments, down from 45% less than a decade before (Latinobarometro, 2018). Only a few countries escaped this global trend.

Declines in trust can have serious consequences. Societal trust (including networks, norms of civic engagement, and other components of “social capital”) can impact the establishment and functioning of democratic institutions, as well as overall socio-economic development (Putnam, 1993). A decline in the levels of trust in government can reduce citizen compliance with rules and regulations, harm the proper implementation of policies (as they require some form of engagement with civil society), and delay investment or employment decisions (OECD, 2013). Lower levels of confidence in government are associated, also, with the rise of extremist political parties that tend to be critical of democratic institutions (Algan et al., 2017).

Several factors seem to influence this trend, but a number of studies have shown that the perceptions of government performance and integrity are strongly connected to citizen trust. These perceptions may be mediated by other factors and not just by “objective” government performance (Beeri et al., 2018; Van Ryzin, 2007), but nonetheless this relationship appears to exist. Providing evidence from a randomized survey experiment, Alessandro et al. (2019) show that opening information that displays sound government performance (i.e., that the government is over-performing on its promises) has a positive impact on citizen trust. Another experiment (OECD, 2018) confirms that perceptions of government competence and performance are one of the main factors influencing levels of trust, although the perception of integrity is an even stronger predictor. The use of an experimental methodology in these studies helps avoid the

“problem of causality” (Van de Walle and Bouckaert, 2007): that is, the possibility that citizens regard government as under-performing because they do not trust it, and not the other way round. The experimental methodology enables the clear identification of the direction of causality, from the perception of performance to trust.

Thus, the combination of effective performance and delivery of public services with policies that favor transparency and openness can help rebuild citizen trust. This article focuses on a managerial innovation in the City of Buenos Aires, Argentina, that contributes to both improving government performance and enhancing its perception of transparency, with robust evidence of its impact in both dimensions.

2 Reconciling performance management and citizen trust: the “Public Commitments” approach in Buenos Aires

The City of Buenos Aires is the capital and largest city of Argentina. 3 million people live within city limits, although the Buenos Aires metropolitan area (which encompasses the surrounding municipalities that form a contiguous urban area) includes a total of 15 million people, making it the thirteenth most populated in the world²⁶). Every day, approximately 2 million people enter the city from its metropolitan area. According to the United Nations’ Human Development Index, the City presents a “Very High Human Development” with a score of 0.885 (PNUD, 2017); if it were a country, this would place Buenos Aires between France (0.891) and Italy (0.883) in the latest ranking.

Argentina’s federal system of government organizes its territory in provinces, whose governments are responsible for managing relevant domestic policy areas (such as public education, public health, citizen security, local economic development, among others). Due to its characteristic as the country’s capital, Buenos Aires is not part of any province, being an “autonomous city”. Therefore, the Government of the City of Buenos Aires (GCBA) is responsible for typical municipal functions (public transportation, street cleaning, parks and recreation, etc.) and also for provincial-level functions. The Mayor of Buenos Aires is elected directly by the city’s residents for a four-year term, with the possibility of being reelected once. The Legislature is elected independently from the Mayor. The Mayor leads an administration of approximately 180,000 employees, with teachers, police officers and medical professionals accounting for over two thirds of the total.

Since 2008, the City of Buenos Aires has a well-established management model, based on

26) Source: worldatlas.com, retrieved on February 3rd, 2020.

ministerial goals and periodic review meetings to monitor execution of these goals (Arrieta et al., 2008). In February 2016, the new Mayor Horacio Rodriguez Larreta added a critical innovation to this model, by making public a set of priority goals (“Government Commitments”) for his term in office, with quantitative targets and specific deadlines for each of them. Subsequently, the GCBA would begin to report publicly on the progress made (or lack of) towards achieving those goals, using previously defined trajectories as benchmarks. The case of Buenos Aires (2016-19) thus combines the two aspects identified as relevant for improving public trust: a focus on performance and delivery and a similar focus on transparency and openness.

The approach adopted in Buenos Aires can be inscribed in two recent innovations in performance management (Alessandro and Straface, 2019). At the city level, management models such as “CompStat” in New York City, “CitiStat” in Baltimore, and a large variety of “PerformanceStat” approaches (Behn, 2014) have become widespread, especially in the United States. At the national level, the Prime Minister’s Delivery Unit in the United Kingdom (Barber, 2007) has inspired similar efforts in countries like Australia, Canada, Chile, Colombia, and others (Lafuente and Gonzalez, 2018). These innovations share certain characteristics, which are also present in the City of Buenos Aires; the GCBA in this period added its own innovations. In particular, this case can be referenced in Kettl’s notion of “transparent performance”: the idea that the proactive disclosure of data about government performance creates strong incentives to improve it (Kettl, 2013).

Governments have traditionally operated by “spasm” (Barber, 2015), guided by vague aspirations, intuitions (or anecdotes) and post facto reactions once crises had erupted. The “Stat” and “deliverology” approaches set very clear priorities and definitions of success; use hard data to identify performance; and establish strict routines to monitor progress in real-time, allowing for corrections and adjustments before crises arise. Some of the cases also include an effort to foster public accountability, understanding that citizen monitoring can actually help governments to improve performance.

These elements are all present in the case of Buenos Aires. The public commitments clearly define priorities with measurable targets and deadlines; the Mayor and the units at the Center of Government drive performance through systematic routines to plan delivery, track implementation and intervene when performance is lagging behind; and the government proactively opens performance information through continuous communications, an online dashboard (www.buenosaires.gob.ar/compromisos), and an annual Q&A session with citizens to report on progress and explain any delays.

The impact of this initiative can be summarized in three levels:

- In terms of internal performance, a qualitative case study by university researchers stated that “the interviewees stressed that the public nature of the Commitments “anchors” the priority of those goals and encourages redoubling efforts and innovating to ensure delivery...

As the chief of staff of Ministry X points out, ‘the fact that a particular goal is an Horacio’s Government Commitment reinforces the need to deliver’” (Freytes et al. n.a.; author’s translation).

- In terms of delivery for citizens, the average progress in the targets exceeded 90%²⁷). Although there is no comparable data for the portion of the government activity which was not a public commitment, the fact that the Mayor’s reelection campaign was based on the motto “I committed and I delivered”, is indicative that this high level of delivery is not typical. Moreover, certain outcomes (such as the 42% reduction in violent crimes during the four year period, or the record lows in infant mortality) suggest positive impacts²⁸).
- In terms of public trust, robust evidence from a randomized control trial conducted by GCBA and the Inter-American Development Bank found significant positive effects of making public commitments, especially when the government delivered on those promises (Alessandro et al., 2019).

3 The Buenos Aires approach to delivery and accountability in detail

The overall government plan for Mayor Rodriguez Larreta’s first term (2015-2019) consisted of over 1,200 programs and projects. As soon as he took office (December 2015), he instructed his Center of Government units²⁹) to identify a set of priority goals, with quantitative targets, to make public to the citizens of Buenos Aires. The newly created “Delivery Unit” within the Secretary-General’s office, in coordination with the already existing Planning department (responsible for the overall government plan), led the process of formulating these “Public Commitments”, supporting their implementation and ensuring external accountability.

The public commitments were, originally, 20 high-priority goals, either corresponding to a specific program or project from the government plan or, most often, an aggregate goal combining several programs or projects, sometimes involving more than one ministry (most commitments are outputs of the government’s work, with some outcomes as well³⁰). The Delivery Unit drafted

27) Source: www.buenosaires.gob.ar/compromisos, retrieved on February 3rd, 2020.

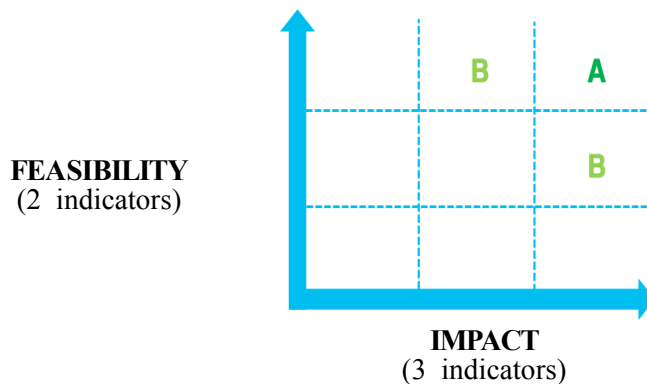
28) Sources: crime data from GCBA’s crime map (<https://mapa.seguridadciudad.gob.ar/>), retrieved on February 17th, 2020; infant mortality data from <https://www.buenosaires.gob.ar/jefedegobierno/noticias/mortalidad-infantil-la-ciudad-y-la-provincia-de-buenos-aires-lograron-las>, retrieved on February 17th, 2020.

29) “Center of Government” refers to the institutions and units that provide direct support to the Chief Executive (President, Primer Minister, Governor, Mayor, etc.) and that are responsible for key cross-cutting functions, such as strategic management, inter-ministerial coordination, monitoring, and public accountability (Alessandro, Lafuente and Santiso, 2014).

a methodology for the selection of these high priority goals, consisting of:

- i) An initial identification of potential public commitments from 3 sources: the electoral platform, the Mayor's key broad priorities, and the sectoral ministries' teams (who had already been drafting plans during the transition period);
- ii) A preliminary "ranking" of those potential priorities through a matrix combining 2 criteria (see [Figure V-1]): (a) public impact (as measured by number of beneficiaries; relevance or magnitude of the impact; and public opinion's priorities); and (b) feasibility, as measured by the complexity of the delivery chain required to meet the target and the resources needed;
- iii) A discussion with the Mayor and other Center of Government stakeholders (Planning, Budget Office, communications, political advisors) to redefine this ranking according to their views and insight;
- iv) A process of specifying and validating the targets with the sectoral ministries, brokering between the Mayor's ambition and the Ministers' caution (who mostly preferred to under-promise and over-deliver, thus limiting one of the purposes of the exercise, which was to push the machinery of government for better performance);
- v) And the final decision by the Mayor, to ensure that the targets had full political backing.

[Figure V-1] Prioritization matrix



30) Outputs refer to the product of the government's activities (i.e., the public commitment to "Provide digital education for 100% of pre-K students"), while outcomes refer to the effect of these activities at the individual or societal level (i.e., the public commitment to "Reduce traffic fatalities by 30%").

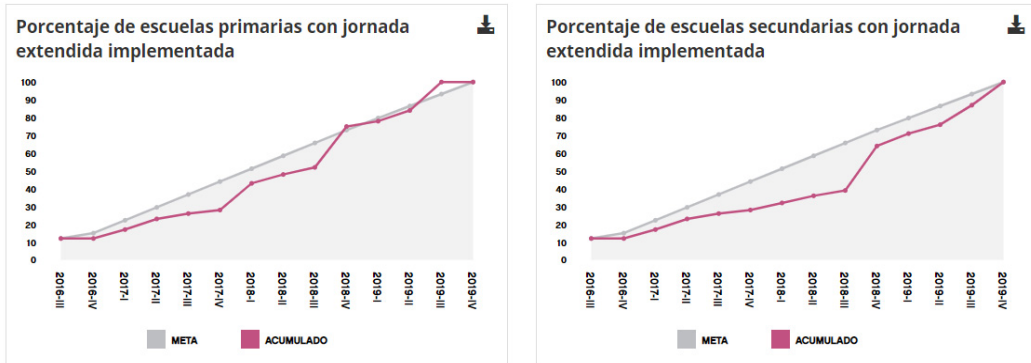
It should be noted that impact and feasibility tend to be in tension. More transformational goals generally require more resources and/or the involvement of more stakeholders for delivery. More complex delivery chains (that is, processes that need the contribution of more actors for achieving a certain goal) present higher risk of failure or delays, especially if some of the links in the chain involve non-government actors (businesses, families, students, community groups, etc.), over which the government has limited influence. This consideration led to the selection of mostly output-level commitments, for which the government has greater control, with only a few outcome-level ones.

The matrix proved helpful to guide the discussions, but it clearly does not capture all the relevant criteria and nuance needed for deciding a government's priorities. Additional considerations were introduced in the discussions with the Mayor and Center of Government teams: are we covering all relevant policy areas and ministries? Should we establish short-term goals, to ensure quick wins? Should we be more ambitious (that is, relax the feasibility criterion) for certain especially important topics? What should we do with goals that are not easily quantifiable? These questions cannot be fully addressed by technical experts; they need high-level political engagement.

To ensure that the public commitments achieved their purpose, it was critical that they were not perceived as "just another announcement." Thus, they were set very early in the Mayor's term (less than 100 days after he took office): this would help them actually align the ministries' work before other sectoral agendas took over. This urgency limited the ability to conduct full-scale assessments for determining impact and feasibility, or for a complete benchmarking exercise before setting the targets. But this tradeoff was accepted because, as stated by Barber (2007), an imperfect target is better than no target at all to guide the work of government.

The commitments announced on February 2016 ranged from typically municipal functions, such as fixing 100% of potholes within 15 days of being reported during the first year in office, to more complex policy objectives, like doubling the proportion of students with high performance in math or completing some of the largest infrastructure projects in decades. The Delivery Unit worked with the Ministries primarily responsible for each of the commitments to build "trajectories": that is, a projection of intermediate targets leading to the final target. Trajectories are critical for monitoring, as they allow to assess actual performance against a predefined path. Some of the trajectories were even published in the online dashboard (see Figure V-2), unlike the goals set by the Prime Minister's Delivery Unit in the UK, which only published the final targets. In addition, each commitment was accompanied by a "delivery plan" stating which activities were needed to achieve the target, who was responsible for doing them, and in which sequence and timeframe. Therefore, the monitoring meetings could later contrast the evolution of "Gantt charts" for each of the commitments.

[Figure V-2] Published trajectory of the commitment to ensure 100% of schools with extended school days



Source: www.buenosaires.gob.ar/compromisos, retrieved on February 17th, 2020. The graph on the left displays the trajectory for primary schools and the graph on the right for secondary schools. The grey lines reflect the expected trajectories and the pink lines the actual progress.

One of the key components of this management model are the systematic routines for monitoring progress and unblocking obstacles. The Mayor led monthly data-driven review meetings with Ministers and other senior officials to oversee performance and take any decisions needed when bottlenecks harmed delivery (see [Figure V-3]). Some of the meetings involved only one ministry, but often all ministries involved in the delivery chain of a certain priority took part of the monitoring session; therefore, coordination was more easily achieved and nobody could shift responsibility to others not present in the room. The discipline to review progress constantly, and not just after problems emerge, has been critical to ensure the continuous drive for delivery needed in longer term goals.

[Figure V-3] Data-driven monitoring meeting in City Hall, Buenos Aires



Source: Alessandro, 2019. The meetings were arranged in U-shape tables for attendants to review the data presented in the screens. The Mayor or his Chief of Staff chaired most meetings.

The routine of review meetings helped create periodic “false deadlines” (Barber, 2015) for ministries, as they rushed to solve problems and implement the activities on the delivery plan prior to the next session with the Mayor. For the public commitments, the pressure for delivery was even greater: those goals could not be re-targeted nor de-prioritized. Early on, there were a few occasions in which sector ministries, fearing they would not meet certain public commitments on time, sought to lower the target. The decision by the Center of Government was not to modify any public target, even if it meant risking falling short of what had been promised. This was critical to ensure that the public commitments were taken seriously by all ministries: there was no room for re-targeting in these goals. Thus, they had to redouble efforts to deliver on the public commitments.

In addition to the monitoring meetings, other tools were adopted to clearly communicate internally the importance of delivery. The Delivery Unit did presentations for frontline staff at several line ministries, describing the public commitments and how their daily work contributed to them. Banners and screens with videos were installed in most government buildings to display the commitments and the progress made towards achieving them; a quarterly newsletter was also sent to all government employees. “Delivery Awards” with participation of the Mayor were granted to ministerial teams responsible for each commitment when the targets were met (see [Figure V-3]). All these activities intended to avoid one of Kotter’s (1996) typical errors of change management: undercommunicating the vision of what the government leaders are trying to achieve. Of course, the Mayor’s discipline to monitor progress systematically was the most important signal of the relevance conferred to delivery.

[Figure V-4] Delivery Awards (2018)

Source: Alessandro (2019).

The online dashboard developed by the Delivery Unit with details on the public commitments (their targets; the trajectories for some of them; the main activities in their delivery plans; and the progress made at that date) was published six months after the commitments were announced, in August, 2016 (see [Figure V-5]). The dashboard (www.buenosaires.gob.ar/compromisos) intended to go beyond the purely “technocratic” publication of data conducted in other cities, especially in the United States; thus, visuals and videos were included with the intention of appealing to a broader audience of citizens and not just experts. The gap between the initial announcement in February and the launch of the dashboard in August is explained, mainly, by the need to show at least some progress in the trajectories; had it been published in February, most of the progress bars would have been at 0%.

[Figure V-5] Public commitments' online dashboard



The image depicts the dashboard (left) and a specific commitment on the right (“100% public lighting”), with its evolution in each district within the city (bars), as of December 2017. Source: www.buenosaires.gov.ar/compromisos

In order to increase media attention to the new dashboard, the Mayor and the Center of Government leaders decided to complement it with a new “round” of public commitments, especially in priority areas in which it had not been possible to set a quantitative target early in the term. This expansion was certainly in tension with the notion of focusing the public commitments on key priorities. However, it appeared more relevant to ensure the initiative’s “momentum” and public awareness. Since media coverage focuses heavily on announcements, it was decided that each “accountability session” (like those that the Mayor would hold annually, taking questions directly from citizens) would also include an announcement of new commitments. In the four-year term, the Mayor would end up taking 54 public commitments, although at any given time there were no more than 40 “active commitments” (as some were being met)³¹.

31) The successive “rounds” had the additional benefit of allowing for flexibility in the identification of government priorities. For example, none of the initial commitments had a specific focus on gender equality, but as this issue became a government priority during 2016–17, new commitments with this motivation (such as “Opening a Women’s Center in every district”) were added.

Furthermore, the Delivery Unit focused its efforts on those commitments that presented more complexity in their delivery and political risk if they were not met; other commitments were treated mostly like “business as usual”.

Because the dashboard was the main hub for public accountability of the commitments, the Delivery Unit tested through successive online surveys how citizens understood the data published there; how interesting they considered it; and what impact it had on their trust in government. This led to a number of improvements in the dashboard, such as the inclusion of an interactive map that allowed users to geolocalize more than 900 activities being implemented for delivering on the targets, thus enabling a more local awareness of what these commitments meant for each citizen or community. During 2018 and 2019, the dashboard averaged 100,000 unique visitors each month, becoming by far the main GCBA website related to policy (that is, excluding “transactional” websites, such as those for renewing driver’s licence or enrolling children in public schools); the main newspapers used it in their coverage of the Mayor’s term³²), opposition parties for the questions in the Legislature, and fact-checking organizations analyzed the validity of the data³³).

This was reflected in the increased citizen awareness about the existence of the public commitments and their metrics. When the city government first measured this indicator, in 2016, only 14% of porteños (residents of Buenos Aires) knew that the Mayor had taken public commitments; two years later, the proportion had increased to 30%. Moreover, specific targets that were heavily monitored by the media (such as “Ensuring a subway every 3 minutes in every line”) were known by over 65% of citizens, even if many of the respondents did not know that this was part of a broader initiative by the government to set public commitments.

Image 3 depicts examples of TV media coverage of the Mayor’s annual accountability sessions with citizens. Data visualizations and maps were embedded in the live broadcast to increase interest and coverage.

32) See, for example, “Rodríguez Larreta’s scorecard: many goals delivered, although far from porteños’ concerns” (author’s translation), in *La Nación*, August 10, 2017 (<https://www.lanacion.com.ar/buenos-aires/boletin-horacio-rodriguez-larreta-compromisos-gestion-y-cumplimiento-nid2051708>, retrieved on February 4th, 2020).

33) See, for example, “Subway every 3 minutes: what does GCBA’s commitment say, and which lines are delivering” (author’s translation), in *Chequeado*, December 5, 2017 (<https://chequeado.com/el-explicador/subtes-cada-tres-minutos-que-dice-el-compromiso-del-gobierno-de-la-ciudad-y-que-lineas-lo-cumplen/>, retrieved on February 4th, 2020).

[Figure V-6] TV live coverage of the Mayor's accountability sessions

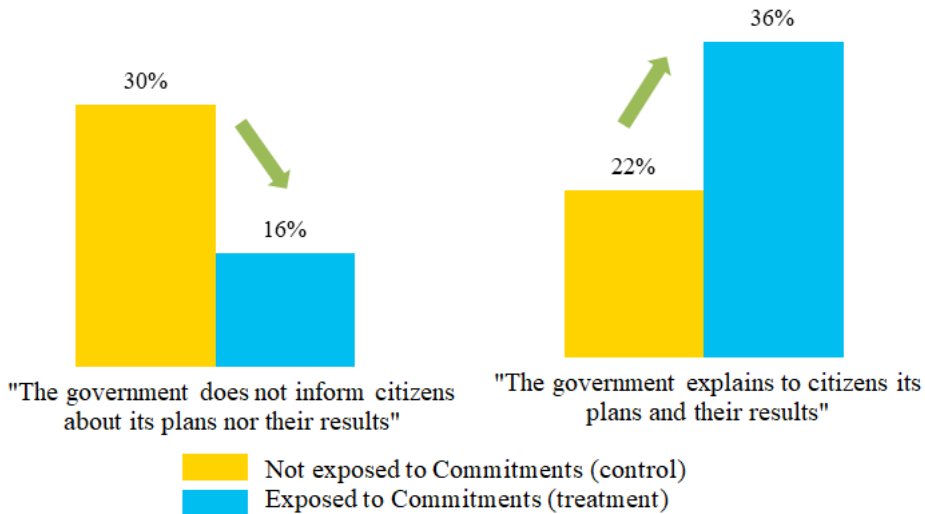


Sources: Cronica TV (left, February 2019) and C5N (right, February 2017). The map on the left indicates the % of LED lighting in each of the city's districts as of December 2018; the bar chart on the right indicates the monthly evolution of potholes fixed within 15 days of reported during 2016.

The impact of the public commitments on citizen trust was measured through successive online randomized experiments. In these experiments, a representative sample of residents of Buenos Aires was asked a number of questions regarding their perceptions of competence and transparency of the government. Half of the sample (selected randomly) was asked these questions before being exposed to information about the public commitments; the other half was asked the questions after being exposed to the public commitments. In this latter group, the perceptions of competence and transparency were higher than in the prior group; these differences were statistically significant. Additionally, two types of information about the commitments were presented to different sections of the overall sample (again, using random selection). One type of information showed government performance below the promised trajectory of the target; the other type presented actual performance above the expected trajectory. Those presented data that indicated better performance reported higher perceptions of competence (Alessandro et al, 2019).

The effect was particularly strong among those who stated no prior knowledge of the existence of public commitments. [Figure V-7] presents an example on the perception of the transparency and openness of the government:

[Figure V-7] Impact of the public commitments on perceptions of transparency and openness



4 What can be learned (and replicated) from the Buenos Aires approach?

A number of conclusions can be drawn from the Buenos Aires experience:

- Making the priority goals public and ensuring accountability (“transparent performance”) can have an impact on both government performance and citizen trust. The publication of specific and measurable targets has shown to add pressure for better performance and delivery. It acts as a “point of no return”: it limits the room for delays, re-targeting or hiding underperformance, as everybody is aware that this would generate public “costs” to the ministry responsible for the target and the government as a whole. In addition, being open about what the government expects to deliver and what it has actually achieved has helped increase the perception of integrity and transparency. Moreover, the combination of both effects (increases in performance and in transparency) is a key factor to enhance citizen trust.
- A dashboard is not enough for accountability; governments need to communicate performance actively for citizens to be aware. A distinguishing feature of the Buenos Aires experience was the intensive use of performance data on the Mayor’s and Ministers’ communications and speeches. Additionally, the government invested in communicating the public commitments (and the progress towards achieving them) through several online

tools. This led to reasonably high and increasing levels of citizen awareness about these goals. This awareness does not ensure accountability per se, but without it there is no way citizens will demand better performance and, thus, a key component of this approach will not materialize.

- Establishing public commitments requires audacity, but this “risk” can be reduced through a robust performance framework. Governments have traditionally preferred to set ambiguous or vague goals, to reduce the risk of not meeting the targets. Unambiguous targets present a higher risk of criticism if delivery is not up to the par. However, the experience of “PerformanceStat” and “deliverology” management models can help minimize this risk. Of course, ambitious targets (which are needed for the exercise to foster improved performance) are necessarily challenging, but the key components of a solid performance framework should lead to feasible targets; “real time” monitoring; and early intervention when problems arise.
- Delivery approaches appear particularly relevant for central governments in unitary systems of government and for subnational governments in federal countries. In federal systems, the provision of public services (such as health, education, transportation or citizen security) is usually the responsibility of subnational entities, such as states, provinces or municipalities. Therefore, national governments have limited control over the delivery chain for any target in these policy areas. In these countries, the deliverology or Stat approaches have been implemented more successfully at the subnational level (in states like New South Wales, Australia, or Pernambuco, Brazil; and cities such as New York, Baltimore and Buenos Aires). The federal government of Canada has recently established a Delivery Unit, published (for the first time) the “mandate letters” sent by the Primer Minister to his ministers with specific targets, and created an online dashboard for public accountability (www.canada.ca/results), although the impact of this initiative has not yet been assessed.
- Establishing a performance framework demands technical competence but, especially, political backing. The Chief Executive and government leaders need to “own” the priority goals and ensure everybody within government is aware of delivery. If planning and monitoring processes become an exercise led only by “technocrats” or civil servants, they will lack the necessary “teeth” to transform performance. The personal and visible involvement of the Chief Executive, at least in the early stages of the monitoring routines, signals the relevance and potential consequences of these meetings. An empowered Delivery Unit can be a key supporting team to drive these routines.
- Specifying public targets and being accountable for them needs technical expertise but also political sensibility. Driving the definition of government priorities goes beyond a purely technical exercise. It requires, from the team at the Delivery Unit, a combination of skills: the ability to probe and challenge the targets proposed by line ministries, but

also the political acumen to understand the public's concerns. In addition, it requires interpersonal skills to properly negotiate with line ministries who are naturally cautious about transparent performance.

- Investing time in the monitoring routines can actually alleviate the burden on the Chief Executive's schedule. Government leaders are very busy people; suggesting the introduction of periodic review meetings can dissuade them from adopting this approach. However, a structured calendar of executive monitoring sessions can actually reduce the amount of time devoted to managing the administration, by (1) ensuring productive and data-driven decision-making, with all key stakeholders present in the room; and (2) by helping prevent future crises that tend to disrupt schedules and demand almost exclusive attention. Thus, this approach can be a useful investment of the government leaders' time.
- This investment of time and political capital pays off if focused on key government priorities. This approach works best when applied selectively to major government priorities. Trying to cover all of the government activity reduces the ability to properly monitor and intervene when needed, and it can stifle the creativity and drive of the sector ministries. Furthermore, each ministry can set its own performance routines to track a broader set of goals, but the Chief Executive and the Center of Government should be selective.
- Beware of potential perverse incentives, and mitigate them. The use of quantitative targets to assess government performance may lead to unintended consequences (Hood, 2006; Radin, 2008; Müller, 2018). These include the risk of ministries "gaming" the system, manipulating the numbers, sacrificing non-quantifiable aspects of their performance, or setting less ambitious targets to ensure delivery, among others. These are real risks, and may be intrinsic to this approach³⁴). However, the Center of Government can reduce their likelihood or severity. First, monitoring should not become a confrontational auditing process that encourages sectors to hide any problems. Second, "mystery-shopping" and reliance on third-party indicators can help ensure the validity of the data. And, finally, a solid process of target design should balance ambition with feasibility and capture the relevant aspects of government performance, including those (such as equity in service provision) that may not be directly measured.
- Effective delivery can be a political asset. The centrality of the Mayor's ability to deliver in his reelection campaign is an indication of the potential value of adopting this approach for government leaders. Of course, it can become a liability if the government does not actually deliver.

34) As stated by Campbell (1979): "the more any quantitative social indicator is used for social decision-making, the more subject it will be to corruption pressures and the more apt it will be to distort and corrupt the social processes it is intended to monitor."

- Institutionalization appears to be a challenge but practices are what matter. Because these types of models are so dependent on the Chief Executive’s leadership style and political context, it is difficult to ensure their continuity when power changes hands (Alessandro, Lafuente and Santiso, 2014). However, if their practices and key principles prove useful, it may be possible for them to be embedded across ministries and “survive” different political scenarios. The Prime Minister’s Delivery Unit in the United Kingdom was abolished in 2010 after a different coalition of parties entered office. Nonetheless, only two years later a new Implementation Unit was created, with similar functions (although admittedly it was never able to drive a performance model as the original Delivery Unit).
- More robust evidence about the connection between performance and trust is needed. The randomized experiment conducted to measure the effect of the public commitments on citizen trust in Buenos Aires was a rare exception; most Delivery or Stat approaches have not tested their impact on trust. Thus, there is room to enhance our understanding about this connection. Does the type of goal matter? Do citizens care mostly about goals with localized benefits? How is their understanding about performance formed (direct observation, media reports, etc.)? Does it work for all levels of government? The increased application of delivery methodologies enables conducting studies to better answer these questions.

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VI

Organizational Performance Management – Recent Experience in the Canadian and American Federal Systems

Derek Armstrong (Treasury Board Secretariat, Canada)

Abstract

Performance management as a discipline is an intersection of organizational theory, behavioural science, and operational practice. Its effectiveness depends on setting clear strategic objectives, translating those into organizational outcomes, identifying paths to achieving the outcomes, and assessing progress along those paths. Performance management regimes benefit from clear leadership and accountability for achieving outcomes, whether through individual, organizational, or shared responsibility. Effective performance management balances interests of the organizations being managed with those of the overall government and is most effective when the operational processes and methods of assessment are clear and embedded in a predictable cycle. Canada and the United States offer an interesting case study in how performance management systems are run, particularly with different institutional structures and approaches to guidance and accountability. After making observations on the recent American and Canadian performance management experience, lessons are drawn, with recommendations for establishing effective performance management operations.

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The author was Executive Director (Results Division) at the Treasury Board Secretariat of Canada from 2018 to 2020, having served in other spending oversight and finance related roles since 2004. In this position, he led the Government of Canada's evaluation and performance

measurement communities under the Policy on Results (2016), including policy development and operations for government-wide performance management. Mr. Armstrong has been a leader in data-driven reporting, working to launch the GC InfoBase in 2013 and co-chairing a group of Directors General to develop A Data Strategy Roadmap for the Federal Public Service. The author expresses appreciation to discussants and commenters present at the 8th KIPF Forum held September 2019 in Seoul, who provided useful feedback over the course of the forum. This chapter also adapts material from a presentation made at the 8th KIPF Forum by Anne Chiang from the U.S. Department of the Treasury. Finally, sincere appreciation to the Korean Institute of Public Finance for supporting the work included in this volume. The views expressed in this chapter are those of the author and do not necessarily represent those of the Government of Canada.

1 Introduction

Performance management systems face the challenge of shaping objectives for individual government institutions while also ensuring that those same institutions are contributing in an organized manner to government-wide goals. These systems must balance several needs depending on the context in which they function: monitoring, encouraging organizational behaviours, coordination, supporting decision-making, and communication, among others. The effectiveness of performance management systems depends on many factors related to institutional structure, concentration of policy and operational leadership, clarity of process, and other considerations in the purview of behavioural science and politics. Operating an effective performance management system is no easy task and examining the American and Canadian examples offers useful lessons for others looking to benefit from their respective experiences.

In the United States federal system, organizational performance management is tied clearly to government-level strategic outcomes for programs and cross-agency priorities. This emphasizes pursuit of objectives that are strategic for agencies, but which contribute to higher-level objectives of the federal government. One can view the American federal approach as being a nested system where agency priority goals (APGs) contribute to cross-agency priority goals (CAPGs) set by the Office of Management and Budget (OMB). Goals within this system are driven forward on a systematic timeline by periodic reviews conducted quarterly and annually and with an emphasis on articulation, communication, and management execution of leadership priorities.

In the Canadian federal context, the primary organizational performance management regime focuses on compliance, capacity-building, and behavioural nudging. This is applied to individual departments in an effort to monitor and improve performance on specific measures of organization competency or government priority. The Treasury Board of Canada Secretariat (TBS) oversees

the Management Accountability Framework, monitoring accountabilities that are very specific and not clearly linked to government objectives that would traditionally be considered strategic. Yet the intended effect of monitoring specific aspects of organizational performance is to enable or ensure that Canadian federal departments are capable of pursuing, and actually pursuing, higher level objectives that are more strategic in nature. This aspect of the Canadian approach can be viewed as a bottom-up capacity-building effort for more strategic pursuits.

Rather, Canada's TBS operates a separate government-wide performance management framework for pursuing and monitoring strategic objectives of the government. Strategic organizational objectives are set outside of the MAF through the Treasury Board Policy on Results and the Part III Estimates.³⁵⁾ While the Policy on Results requires departments to characterize their ongoing operations and goals through Departmental Results Frameworks, Part III of the Estimates requires them to present annual Departmental Plans to describe the strategic priorities that they will pursue in the coming year, reporting later on performance in Departmental Results Reports. These latter reporting requirements are very similar in content to those required of U.S. agencies through Part 6 of OMB Circular A.11. Despite this similarity, there are important institutional and operational differences presented below in how the Canadian and American systems are run.

2 Background on new performance management initiatives

The main elements of performance management in the U.S. government are legislated in the Government Performance and Results Act Modernization Act (GPRAMA) of 2010. Government-wide operational requirements are widely distributed in OMB Circular No. A-11 Part 6 for application in individual agencies. The OMB circular states:

[GPRAMA] updates the Federal Government's performance management framework, retaining and amplifying some aspects of the Government Performance and Results Act of 1993 (GPRA) while also addressing some of its weaknesses. The GPRA in 1993 had established strategic planning, performance planning, and reporting as a framework for agencies to communicate progress in achieving their missions. The GPRA Modernization Act establishes some important changes to existing requirements that move toward a more useful approach to performance planning and reporting on a central website. The GPRA Modernization Act serves as a foundation for helping agencies to focus on their highest

35) Policy on Results, <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=31300>. Part III Estimates, <https://www.canada.ca/en/treas-ury-board-secretariat/services/planned-government-spending/reports-plans-priorities.html>. Both accessed 7 March, 2020.

priorities and creating a culture where data and empirical evidence play a greater role in policy, budget, and management decisions. A central program inventory, also required by the Act, has the potential to facilitate coordination across programs by making it easier to find programs that can contribute to a shared goal, as well as improve public understanding about what Federal programs do (Emphasis added).³⁶⁾

In practice, the government-wide organizational performance framework is driven by quarterly, annual, bi-annual, and quadrennial prioritization exercises. Agencies review their strategic objectives annually with the OMB through Strategic Objective Annual Reviews, or SOARs). This work forms the basis for developing annual performance plans, annual performance reports, and agency budgets. Agencies also develop an Annual Financial Report with management's discussion and analysis. During the year, agencies monitor their progress through Quarterly Performance Reviews and provide public updates on Agency Priority Goals (APGs). The OMB also leads quarterly internal reviews of Cross-Agency Priority goals (CAPGs) and provides public updates.

The U.S. government performance framework differs from many jurisdictions, including Canada, by departing from the annual cycle to also set longer-term priorities and goals. More specifically Agency Priority Goal selection takes place within agencies bi-annually, while Strategic Plans are set every four years. Cross-Agency Priority goals are also set by the OMB every four years subject to the constraints of the election cycle. By setting priorities and goals in this manner, the OMB coordinates a variety of cross-governmental activities to contribute to higher-level strategic objectives while giving significant latitude to government agencies to undertake agency priority activities. This decentralized approach empowers agencies to act with initiative and simultaneously maintains coherence of effort on challenges that go beyond the individual authorities of any single agency.

The Canadian strategic federal performance management system, or 'Results regime', functions through a mix of legislated and policy requirements combined with convention. The legislated requirements set a legal underpinning for the planning and reporting that departments carry out, but very little prescription is offered. The Federal Administration Act sets out broad powers governing overall administration by the federal government in matters of spending, organization, employment, regulation, and other important functions of government:

7 (1) The Treasury Board may act for the Queen's Privy Council for Canada on all matters relating to: [...] (c) financial management, including estimates, expenditures, financial commitments, accounts, fees or charges for the provision of services or the use of facilities, rentals, licences, leases, revenues from the disposition of property, and procedures by which

36) OMB Circular No. A-11 (2016), section 15.5. "What does the GPRA Modernization Act of 2010 require?"

departments manage, record and account for revenues received or receivable from any source whatever; and **(d) the review of annual and longer term expenditure plans and programs of departments, and the determination of priorities with respect thereto;** [Emphasis added]³⁷⁾

Performance management is expressed within this legislative prerogative through the Treasury Board Policy on Results, which requires departments to establish Departmental Results Frameworks (DRFs) that describe their organizational priorities and objectives (Departmental Results), the activities undertaken to achieve these priorities (Programs), and the ways by which they will measure progress (Departmental Results Indicators). Further operating prescription is delivered through a directive and associated standards and mandatory procedures that are specific in how departments are to undertake performance-related measurement activities.³⁸⁾

Similarly, performance management for individual organizational capacities, rather than strategic government objectives, is overseen within the Management Accountability Framework (MAF). The Treasury Board of Canada Secretariat (TBS) oversees the framework, describing it as:

“...a framework for management excellence, accompanied by an annual assessment of management practices and performance in most departments and agencies of the Government of Canada. The MAF is a key tool of oversight that is used by the Treasury Board of Canada Secretariat (TBS) to help ensure that federal departments and agencies are well managed, accountable and that resources are allocated to achieve results. It also ensures that Treasury Board Policy Suite requirements and expected results are met.”

and

“a framework for a well-managed organization. It sets out the conditions that are required to achieve strong organizational performance.”³⁹⁾

The MAF’s objectives are similar to parts of the U.S. government’s performance management framework, focusing on informing TBS about the state of policy implementation and practices while supporting the management accountability of Deputy Ministers and Heads of Agencies by providing information about their organizations’ management capacity. MAF’s annual assessments also communicate and track progress on government-wide management priorities (but not strategic performance priorities). The entire assessment exercise allows TBS to obtain

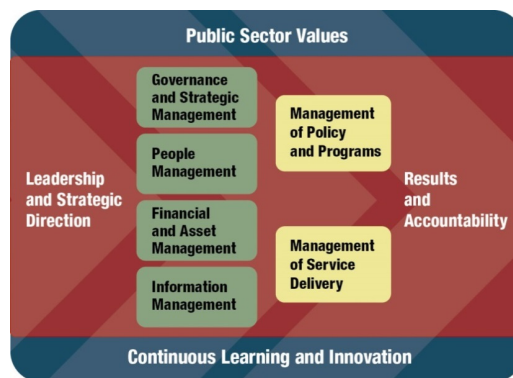
37) Government of Canada, Federal Administration Act, <https://laws-lois.justice.gc.ca/PDF/F-11.pdf>, accessed March 10, 2020.

38) Directive on Results, <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=31306>, accessed March 10, 2020.

39) Government of Canada, Management Accountability Framework, <https://www.canada.ca/en/treasury-board-secretariat/services/management-accountability-framework.html>, accessed March 3, 2020.

an organizational and government-wide view of the state of management practices and performance in order to identify areas of management strength and any areas that require attention. The ultimate goal, as stated by TBS is to continuously improve management capabilities, effectiveness and efficiency government-wide. The framework objectives are characterized visually by TBS in the diagram below.⁴⁰⁾

[Figure VI-1] TBS management accountability framework (2020)



Canada's separate federal performance systems for strategic objectives and departmental management capacities create a useful governance structure for overall performance management. Since the achievement of strategic objectives can require particular organizational capacities, especially where objectives are new or evolving rapidly, a separate system for building or changing management capacity allows the federal government to set clear expectations and guidance on how to develop these capacities. Capacity building can be mandated and monitored in advance of when strategic objectives must be met. In this way, the government can establish conditions more conducive to successful pursuit of its strategic objectives by ensuring that organizations will be able to carry them out.

The U.S. pursues management capacity similar to the Canadian MAF through the President's Management Agenda, managed by the OMB. The diagram below shows a similar, through more streamlined set of management capacity priorities. Rather than pursue the President's Management Agenda through a separate framework, as Canada does, the OMB sets Cross-Agency Priority goals that correspond to the objectives of the management agenda. In this way, capacity building is pursued within the overall performance management framework.⁴¹⁾

40) Ibid. Objectives adapted directly from the MAF objectives description for presentation in this chapter. Diagram also a direct reproduction.

41) Diagram reproduced from <https://www.whitehouse.gov/omb/management/pma/>, accessed March 31, 2020.

[Figure VI-2] OMB, performance management framework (2020)



3 Description of the new initiatives: institutional setup, operation procedures

Canada's Policy on Results is the primary motivator behind operational procedures for capturing and presenting the federal government's strategic performance objectives, yet in practice it interacts with two separate areas of planning and process to achieve this: the government's Estimates, and submissions to the Treasury Board for new or renewed funding. Together, these two areas describe performance objectives for incremental spending and the ongoing stock of already-approved spending.

The Policy on Results requires federal departments and agencies to characterize their ongoing activities and performance objectives, along with specific indicators for measuring progress.⁴²⁾ While each organization is required to develop an enduring Departmental Results Framework (DRF) that is published publicly, its usefulness lies in describing how the organization's resources are apportioned to the different activities and objectives it undertakes. Annual Departmental Plans, which make up Part III of the Government of Canada's Estimates, require federal organizations

42) Appendix A: Mandatory Procedures for Departmental Results Frameworks, Program Inventories, Performance Information Profiles and Programs, <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=31306>, accessed 22 March 2020.

each spring to elaborate their year-ahead operating intentions framed against the highest level of their DRF. Plans at a more detailed program level are presented publicly, along with performance targets, in the GC InfoBase.⁴³⁾ Together, Departmental Plans and the program-level detail in the GC InfoBase publicly provide performance information to cover all federal government spending. Departments report the results of their activities each winter through Departmental Results Reports.

Operationally, performance management principles are applied during the review of spending proposals made to Canada's Treasury Board. Submissions to Treasury Board are heavily challenged and reviewed by various policy centres responsible for overseeing the policy, legal, and regulatory requirements of government operations. Since 2016, these submissions have included a 'results appendix' that requires departments to link their funding proposal to their results framework, to the expected outcomes (not just outputs) of the particular proposal, and their performance measurement framework for monitoring progress toward those outcomes. Where the submissions propose to create entirely new programs, or materially change the operation of existing programs, departments are required to provide logic models and performance information profiles explaining how they expect resources to be transformed into outcomes. The deputy heads (top bureaucrats) of implicated departments are required to attest that the information presented is accurate and reasonable. This operational setup, in theory, meshes ongoing incremental spending into the overall results framework of the government to ensure coherence with the objectives and intent of the government's activities.

Performance management requires a feedback loop in order to integrate information derived from assessing performance back into program design, policy decisions, and ultimately resource allocation. Canada's federal expenditure management system has largely incorporated performance management considerations, *ex ante*, into program design and policy decisions. However, adjusting resources to respond to changing priorities based on program effectiveness, among other considerations, is usually in the purview of federal budget development or the periodic spending review function. The Results Division of the Treasury Board Secretariat carries responsibility for managing the Policy on Results, including performance measurement and evaluations, for reporting on plans and results (Part III of the Estimates), and for conducting the Canadian government's spending reviews. While the spending reviews function was first integrated with the broader responsibility for performance measurement and evaluation in 2018, there have been no spending reviews launched since that time. Efforts are underway to create a pipeline of information between existing performance databases and the spending reviews function of the Results Division. Nonetheless, the operational integration of the main functions of a

43) The Results section of the GC InfoBase became the sole source for program-level results information starting with the 2018–19 Departmental Plans. The intent was to make detailed program performance information available in an easily searchable format.

performance-informed budgeting within a single operational unit promises to strengthen the practical application of performance information in evidence-based decision making.⁴⁴⁾

The American federal performance system enshrined in legislation through GPRAMA and implemented via the guidance provided in OMB circular No. A-11 Part 6 is supported by a strong framework of touch points between government agencies and central organizing bodies including the OMB, the Performance Improvement Council (PIC), and the Office of Shared Solutions and Performance Improvement (OSSPI).⁴⁵⁾ While the OMB works with agencies to set strategic goals and monitor progress toward them, the Performance Improvement Council is actively involved in setting and planning agency targets and providing support. As described on performance.gov, “The Performance Improvement Council (PIC) is the heartbeat of government performance management. The PIC shares best practices and builds capacity across the federal government to help agencies set, plan and achieve priorities for the American Public.” The PIC is more specifically engaged in coordination and network-building across the performance management community, providing resources to improve performance management and reporting over the long term. From logic-modelling and Performance 101 to the Role of a Performance Improvement Officer, the PIC provides operational and conceptual resources, as well as direct support through PIC discussions, to align expectations and capacities in performance management.⁴⁶⁾ The OSSPI, housed in the General Services Administration, further contributes to coordinating and driving progress on federal strategic objectives and the functioning of five federal interagency management councils.⁴⁷⁾

The U.S. Department of the Treasury offers a useful case example demonstrating how the federal performance management cycle works.⁴⁸⁾ The Treasury reviews organizational performance each fall, led by the Chief Operating Officer and Assistant Secretary for Management, the department’s Performance Improvement Officer (PIO). By reviewing the prior year’s performance at a bureau and office level, they recognize areas of success and set priorities for the coming year. In the winter, the PIO and Deputy PIO engage in the mandatory Strategic Objective Annual Review (SOAR), evaluating cross-agency progress toward strategic objectives.

44) Budget development at the federal level in Canada is managed by the Department of Finance. The Budget Plan in Canada is a political document, as it is in many countries. Incorporating performance considerations into the budget is complicated by the separation of functions between the Treasury Board Secretariat and the Department of Finance and other tradeoffs made from a political perspective.

45) These three organizations are referred to as Key Partners in the U.S. federal performance framework. See <https://www.performance.gov/key-partners/>, accessed March 31, 2020.

46) The PIC resources page is a useful source of primers and communication tools for performance management leaders to draw upon. See <https://www.pic.gov/pic-resources/>, accessed April 4, 2020.

47) U.S. federal interagency councils include: CIO Council, CFO Council, CHCO Council, CAO Council, and Federal Privacy Council.

48) This example draws from a presentation given by Anne Chiang to the 8th Annual KIPF forum on Government Performance in Seoul, September 2019.

In doing so, they identify any strategic shifts and validate Treasury priorities. This provides potential topics for annual review with the OMB. In the spring, the PIO calibrates in-year organizational performance through a process of assessing progress on priorities, identifying any necessary adjustments or near-term improvements, specifying problems or assistance required, and recognizing successes already achieved. This stage facilitates work during the summer, where the Treasury develops its budget submission, connecting its priorities to future funding, exploring the impacts of its performance, and strengthening IT acquisition, budgeting, and accountability.

The Department of Treasury pursues this annual cycle using a management routine that incorporates the principles and practices of Robert Behn’s STAT framework: accurate and timely intelligence, relentless follow-up, assessment of performance, and frank discussions by key players. In recent years, the Treasury focused on the CAPG of improving customer experience, recognizing that as much “as 67% of trust in government can be explained by customer experience”. Interactions between the public and government on health care, tax collection, travel, benefits, and other areas form the basis of customer experience and public trust.⁴⁹⁾ Evidence provided by McKinsey suggested that public customers are nine times more likely to trust a government agency if they are satisfied with its service.⁵⁰⁾ The Treasury took this evidence and worked within the federal performance framework to develop their goal statement: “Provide a modern, streamlined, and responsive customer experience across government, comparable to leading private-sector organizations.” By recognizing the specific challenges and opportunities presented by improvements to customer experience, the Treasury will pursue the CAPG approach of using data to capture and analyze citizen needs, building and using customer experience tools across government, and delivering easy and effective experiences across government service channels.⁵¹⁾ This culminated in a Strategic Plan Update on the Treasury’s efforts to achieve better customer experience, outlined in Objective 5.3 – Customer Value and Experience: “Treasury products and service levels are high-value; Treasury customers (internal and external) are highly satisfied with their experience.”⁵²⁾

49) Ibid, presentation at 8th KIPF forum.

50) 2018 Public Sector Journey Benchmark Survey, November–December 2016, www.mckinsey.com/industries/public-sector/our-insights/the-public-sector-gets-serious-about-customer-experience, Accessed April 4, 2020

51) Ibid, presentation at 8th KIPF forum, and material at <https://www.performance.gov/CAP/cx/>, accessed April 4, 2020.

52) Ibid, presentation at 8th KIPF forum.

4 Assessment and observations

The U.S. and Canadian federal performance management systems provide an interesting case study in contrasting approaches. The U.S. system focuses squarely on performance from a strategic, top-down perspective that aligns organizational performance planning and monitoring to the government's highest-level objectives. This ensures a certain coherence of effort between related activities within and among agencies, as well as relatively clear lines of accountability for achieving the objectives that have been set. Operational compliance and monitoring is left to other legislative and policy instruments that are not necessarily elevated to the same strategic visibility as the performance management framework. Unless such operational compliance and monitoring tools lead to sufficient organizational capacity to effectively execute planned activities, achieving the strategic objectives set under the U.S. performance management system may be challenging. Nonetheless, based on descriptions of capacity and management priorities in the U.S. system, it appears that the U.S. performance framework is generally successful in combining management capacity building with government strategic objectives, though with greater latitude for agencies to define and pursue their individual capacity building objectives.

By contrast, Canada's Management Accountability Framework drives behaviours and monitoring from a bottom-up perspective whose focus on compliance and monitoring is not explicitly linked to strategic objectives of the government. Elements of the areas of management considered in the MAF contribute to achieving the government's higher-level objectives, but the link between the MAF and these objectives is not formal. They can also only be linked to government objectives that relate to organizational management capacities. If a goal requires, for example, mobilizing resources across departments and agencies who are already highly functioning performers (such as taking action on climate change, or pandemic response), the MAF does not explicitly contribute to this coordination.

There are several notable other differences in implementation between the two countries' federal performance management systems. The first is the level of central direction for achieving whole-of-government strategic objectives, and the time frames over which they are reviewed and adjusted. Second is the degree to which officials are explicitly identified as responsible for driving organizational and government-wide goals. Next, institutional integration of performance management and budget processes is starkly different in the two countries. Finally, process integration and stability is maturing in both countries, with the U.S. demonstrating increasing sophistication.

OMB plays a strong role in monitoring and shaping conversations around cross-agency priority

goals, conducting internal quarterly reviews and annual reviews of strategic objectives with agencies, providing public updates. They also figure heavily into the quadrennial setting of CAPGs at the time that agencies themselves set their strategic plans. This serves to strengthen the relationship between the government's performance management team in the OMB and the agency teams responsible for executing on management priorities. OMB's central role in developing the President's Budget and managing related processes also creates strong incentives for agencies to actively participate in conversations around goal and priority setting, while also increasing the uptake of performance information by the OMB during strategic reviews and budget development. The simple integration of agency performance information and Congressional Budget justifications in a single standardized document prepared in accordance with OMB circular No. A-11 is a powerful tool for reinforcing both the use and demand for performance information during budget development and deliberations.⁵³⁾

Central implementation of performance management goals in the United States also benefits heavily from the efforts of an organization expressly dedicated to the task, namely the Performance Improvement Council. Though the OMB translates strategic objectives to agencies through the President's Management Agenda, having the PIC focused on implementation and support frees up the OMB to stay focused on the strategic level of management. The PIC effectively provides a focal point for the OMB to monitor, engage, and signal adjustments to then entire administration, rather than expending valuable capacity on managing individual agencies. The separation of the OMB and PIC should also allow additional long-term stability in developing performance management capacity and implementation know-how across the government even in the face of major changes in administration.

By contrast, responsibility for driving progress on strategic goals in the Canadian federal system is much more diffuse since three different departments are separately responsible for fundamental elements of the government's performance framework. The Privy Council Office (PCO), an apolitical department serving the Prime Minister, coordinates and prioritizes policy development based on a close relationship with the Prime Minister's Office (PMO). PMO, the chief political body supporting the Prime Minister, tightly manages public-facing commitments by the government to achieve specific objectives. These commitments are expressed through mandate letters to the ministers of government departments and agencies that set out their politically-oriented organizational goals for the period until the next general election occurs.⁵⁴⁾

53) There are many examples of this integration of budget and performance information for U.S. government agencies. The Department of Treasury's Agency Performance Plan and Report lists 23 documents for its various offices, bureaus, and networks for the 2021 fiscal year. Each provides Congressional Justification for its budget request and related performance information for recent years, with highlights for increases/decreases in program spending and employment, generally in fewer than 15 pages. See <https://www.performance.gov/treasury/>.

54) Mandate letters have been published publicly since 2015 and may be found at <https://pm.gc.ca/en/mandate-letters>.

Since mandate letter commitments give direction to new government ministers, they focus on current priorities that can be achieved within a four-year time frame before the next election. Within PCO, a Results and Delivery Unit (RDU) coordinates tracking progress towards commitments in the mandate letters and provides periodic updates to the public. PCO-RDU also plays a role in reviewing policy proposals to the federal cabinet to ensure cohesion with the strategic policy objectives of government. Mandate letter commitment tracking and RDU review of policy proposals are conducted separately from other performance frameworks in government. In effect, the current policy goals of the government in power are managed as a separate layer with great sensitivity to political perspectives.

The Treasury Board Secretariat is responsible, as described earlier, for the performance management framework of the Canadian federal government. The annual performance cycles for the Management Accountability Framework, Departmental Plans, and Departmental Results Reports are run by policy centres who engage departments directly with guidance and reporting for each process. Treasury Board Secretariat's central role, however, is to review and present detailed program funding submissions for approval by the Treasury Board. The TBS program sector teams responsible for guiding departments in developing their submissions have discretion in deciding whether to incorporate performance considerations into departmental submissions. When situations arise that pit timely approval of funding submissions, often driven by political considerations, against careful reflection of how such a program has performed (or will perform), performance information can be diluted or discarded. Commitment to 'follow up' or provide ex-post evidence after program approval is often used to bypass requirements for performance management information.

Though policy guidance is led by the organizations supporting the Prime Minister, budget development is carried out independently by the Department of Finance. Policy priorities of the current government inform budget development while taking into consideration economic and fiscal considerations. Operationally, however, the budget development cycle is also separate from the government's overall performance management framework. Departmental budget requests are submitted directly to the Department of Finance with minimal involvement from PCO and TBS.

The performance frameworks make good use of performance management principles, yet the current institutional arrangements create a difficult dynamic with disincentives to meaningfully pursuing improvements in program performance. Policy objectives are led by one department (PCO/PMO), budget approvals by another (Finance), and final program approvals by another (TBS/Program Sectors), yet the performance management frameworks are housed elsewhere. In such a situation, departments quickly learn to focus their attention on the organizations with direct influence over their permission to conduct policy, the funding to support it, and the legal approvals to get started. Establishing performance management frameworks takes dedicated

reflection and expertise supported by information systems and consultation, all of which can become inconvenient in an environment of urgency and political pressure. The result in Canada has been challenges in integrating performance management considerations into government activities and coordination of strategic objectives across government departments. Further integration would require both political backing to drive demand for performance information, and institutional integration or redesign to eliminate or reduce structural disincentives to using performance information.

The second notable difference between the U.S. and Canadian performance management frameworks is specific identification of senior leaders responsible for driving progress on strategic objectives of the government. The U.S. federal government publicly and prominently names goal leaders for each cross-agency priority goal, with at least one and often several goal leaders listed on performance.gov. Not only does this provide a point of contact and coordination for those working to achieve the strategic objective, it also creates strong incentives for the goal leaders to push hard to achieve the goal. By making senior officials publicly responsible for progress, they also take on the risks associated with failure. The incentive to avoid failure is strong in many public services. By contrast, Canada's federal strategic objectives, whether mandate letter commitments or goals cutting across several programs, are assigned to departments without explicitly naming the officials responsible. Deputy heads and ministers are easily identifiable as the overall leaders, but their actual involvement in driving progress may be minimal, with a majority of work carried out by senior officials who work out of the public eye. Rather than incentivizing progress, this situation devolves into a risk avoidance and risk management exercise; partners whose performance pay is not tied to the strategic objective are more likely to contribute the minimum to appear collaborative. This often results in tentative incrementalism where success is declared over modest progress toward a goal.

Next, process considerations are not often highlighted as a point of strength for government operations. In the case of budgeting, performance management and building trust in public spending, good process is incredibly important. A well-integrated budget process that incorporates performance management information and is at least relatively transparent in monitoring progress toward objectives serves as an excellent foundation for credible and trusted reporting, both internally and publicly. Such a process yields its greatest value when it is stable, predictable, and familiar to the agencies and officials who must manage within it. This allows agencies to build internal supporting processes that themselves are predictable and familiar. The result is generally higher quality information, provided at lower effort and cost, to inform budget development. For decision makers, whether internal to agencies or at the legislative approval level, a streamlined process that also provides succinct and familiarly structured information relevant to their decisions is also very useful since it allows them to expend their effort on analysis and thought, as opposed to the labour of compiling and sifting through reams of

documents.

In the U.S., the processes for agencies to carry out their performance management and budget development responsibilities are clearly integrated and spelled out in as plain language as possible through OMB Circular No. A-11 Part 6. While the circular is formidable in its length and breadth, it serves as an excellent reference for understanding both the overall budget development process and for individual requirements in performance measurement. Circular No. A-11's guidance is also backstopped by an integrated system, MAXX, which both enforces information requirements and renders mass integration of agency data quick and administratively more nimble. In Canada, federal budget development and performance management processes are entirely separate, as is the guidance to departments to perform either function. Until 2019, there was no integrated system to support performance management and reporting, and there is still no such system for budget development. Canada's Main Estimates processes come closest to providing a stable, integrated approach to financial matters, but only in the area of setting legal spending limits from a legislative perspective. TBS has made recent progress in developing and using a simple, integrated platform (TITAN) for departments to report their financial and performance objectives in a simple data-driven manner, drawing from the lessons of the U.S.

Finally, both Canada and America report on progress toward strategic objectives, but taking different approaches. In 2018, Canada started reporting program performance results for all programs together in the GC InfoBase, making it easy to track those that had met, or not met, their targets.⁵⁵⁾ While these results had previously been available, they required significant work to aggregate within and across departments. Media reports immediately began to focus negatively on those organizations who had missed the greatest number of targets, regardless of the ambition of those targets. Discussions within government were constructive in understanding the context around missed performance targets, yet the negative media attention reminded TBS of a common truth: few organizations like to be measured if they will be criticized or punished for failing.

The U.S. federal government, by comparison, applies a management practice that has been eloquently stated in the 2014 Presidential Budget Analytical Perspectives volume: Improvement is the objective, not target attainment.⁵⁶⁾ Cross-agency priority goal performance reported on performance.gov is ordered by the degree of improvement in some cases, rather than absolute performance. The federal administration also reports noteworthy progress, rewarding good performance that results in meaningful improvement toward ambitious targets. Rather than reporting all results against performance targets, it focuses on results that are substantially different from the goal. In cases of poor performance, this serves to highlight areas that require attention

55) See GC InfoBase, Results tab, <https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#orgs/gov/gov/infograph/results>, accessed April 10, 2020.

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if the objective is to be achieved. Likewise, highlighting significantly positive performance rewards organizations for their success. Not dwelling on performance that barely missed targets, or barely achieved targets, the administration provides room to agencies to continue pursuing their objectives without undue attention that could sap future ambition.

5 Lessons

Comparison of the performance regimes in the U.S. and Canadian federal administrations points to several potential lessons that can be applied to building effective performance management operations. Many of these lessons have been observed by other experts in the context of performance budgeting, but their value here lies in their contribution to building trust in public spending.

Leadership is important in establishing the credibility necessary for government organizations to ‘buy in’ to a performance management system. This is both individual leadership, manifested in the U.S. by publicly naming goal leaders, and institutional leadership. The OMB plays a strong coordinating role, developing performance management policy and the operating processes that bring it to life, all backstopped by the power of the Executive office of the President. From this central position, with all necessary levers at its disposal, the OMB takes an active role in ongoing reviews and stock-takes and has developed a mature portfolio of guidance to support participants in the performance management system. The clarity of leadership and objectives communicated by this leading organization and the responsibility of specific goal leaders conveys a sense of priority, organization and purpose to the public. The messages and objectives of the OMB are further reinforced by the work of the Performance Improvement Council, which serves as an additional focal point for coordinating long-term performance.

The OMB’s success is in no small part owing to the concentration of policy, process, and institutional power it enjoys. The Canadian federal example shows that simply having the functions of a good performance management system within the government is insufficient; the constituent parts must work together to identify and pursue meaningful strategic objectives. Institutionally separating functional roles (such as policy, budget development, goal setting and monitoring) creates incentives to downplay adherence to (or ignore) performance management requirements. Such a situation can also make it harder to integrate operational processes for any performance measurement system, particularly if lead organizations are driven by different policy cycles. These difficulties can be reduced by considering institutional design and which government organization would be best placed to drive performance management objectives.

Strong operational processes are also important to building trust in public spending. Recurring, comprehensive, and stable guidance such as the OMB provides in Circular No. A-11 sets

expectations and allows organizations to build their practices to align to government objectives and to support related expectations. The Department of the Treasury's practices are a good example of how this takes shape in a specific organization. This experience has been similar in Canada, with stable processes allowing organizations to focus on thinking more strategically about their objectives and how they could align across government. The public result of stable processes is an ability to convey more profound and relatable goals (i.e. outcomes) to citizens, rather than simply reporting on the number of meetings held or counts of forms completed (i.e. outputs).

Lastly, both the Canadian and U.S. experience suggest that comprehensive reporting of target attainment may be counterproductive. Instead, focusing on improvements and progress, or areas of dire need for attention, may offer better incentives for organizations to pursue their objectives. Spending time explaining near misses that were outside the operational control of an organization, but within the realm of normal business fluctuations, draws away valuable resources from program delivery. In extreme cases, negative attention over a near miss may reduce an organization's public levels of ambitions, leading to a race to the bottom if targets are publicly set and target attainment is comprehensively reported.

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Korea Institute of Public Finance

336, Sicheong-daero, Sejong-si, Korea
Tel: 82-44-414-2114 Fax: 82-44-414-2179
URL: www.kipf.re.kr

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