

## ACTION SHEET



# Performance-based budgeting in Central America, Panama and the Dominican Republic

Line of action:  
**PUBLIC FINANCES**

Areas:  
**GOVERNANCE**

Scope:  
**MULTI-COUNTRY**

## INTRODUCTION

The Central America, Panama and the Dominican Republic region faces a double fiscal challenge – that of developing and strengthening a tax administration with the capacity to collect a sufficient level of income to allow it to expand the social coverage of its redistributive policies while improving the effectiveness of its public spending, ensuring that limited resources have the biggest impact possible in terms of closing income gaps and increasing the quantity and quality of its social services.

With regard to this second point, this action was specifically designed to focus on developing and promoting a performance-based budgeting approach. It allows the aims of budget programmes to be orientated towards specific goals of improvement in the quality of life of the region's people, as well as establishing quantitative and qualitative monitoring and evaluation mechanisms which allow assessments to be made of the degree of progress and the impact of the programmes.

The action is promoted by the Council of Finance Ministers of Central America, Panama and the Dominican Republic, through its Executive Secretariat for public spending. The programme furthers the institutional work undertaken in 2017, with the sharing of ministerial priorities expressed in the so-called "fiscal matrix" and in 2018, with the "COSEFIN Fiscal Matrix Regional Work



Plan", which examined budgetary processes in Fiscal Area 6. Work was entrusted to the national representatives in COSEFIN's Public Spending Working Group, comprising the various budget directors at a national level. Of the seven priorities set out in the fiscal matrix, the group focused on the implementation of budgets for results as a line of work to be furthered

Within this framework, EUROsocial + support was implemented through three channels. Firstly, through the hiring of technical assistance responsible for advising and developing technical input to diagnose and define the necessary tools to implement performance-based budgeting in the region. The second channel was an exchange visit by a delegation of high-level Central American

officials and a team from Argentina to learn about the performance-based budgeting experience of Peru's Ministry of Economy and Finance, one of the success stories in the region in this regard. Finally, a series of virtual meetings with technical and political leaders were held to present the main technical assistance input and ensure the commitment to advancing the programme at both political and technical levels.

## MAIN ACHIEVEMENTS

The programme's main achievements have been the two technical documents published in the EUROsocial + collection. The first of these was "Diagnosis on the state of

performance-based budgeting in Central America". The study provides an overview offering aggregate and comparative analysis of the region as a whole, which to date had been limited to the national level. It also includes ten dimensions of performance-based budgeting analysis – the medium-term perspective, generation of statistics, planning, the plan-budget relationship, public spending programmes, the gender perspective, financial management, monitoring and evaluation, incentives for management and accountability. These ten dimensions make detailed analysis of national differences possible, identifying potential areas for improvement in each country, as well as areas for regional improvement.

The second publication was the "Methodological guide for the planning and implementation of performance-based budgeting", offering a wide-ranging series of guidelines and recommendations that might further the design and implementation of PBB. It outlines best international practices, especially from European and Latin American countries, while also seeking to recover and include the specific historical, institutional and regulatory aspects of public spending in the region. The result is a comprehensive guide that follows the structure of the aforementioned ten components, setting guidelines, recommendations and proposals for significant advances by each country according to its degree of progress in each component.

Finally, we should mention that an extra effort has been made to incorporate a gender approach across both documents, both through a specific gender component in performance-based budgeting and the mainstreaming of the approach in the analysis as a whole. In addition, the initiative has focused on contributing directly to Sustainable Development Goal number 10, which seeks to reduce inequalities.

## Publications



 Budgeting by results in Central America, Panama and the Dominican Republic

 Methodological guide for planning and implementing a performance-based budget



**Martín Portillo,**  
Secretary of COSEFIN

"The implementation of performance-based budgeting in the countries of Central America, Panama and the Dominican Republic will help to improve the quality of public spending, generating opportunities to focus the budget in key development areas, with specific performance indicators that will allow measurement of the scope of the expected results. Our governments need to further their public budget processes to establish these development goals and objectives, under conditions of transfer and efficiency."

## NEXT STEPS

A second phase of this action, currently in the approval process, aims to incorporate a gender approach into regional performance-based budgeting, ensuring that, in addition to improving the impact of public spending programmes, it is more effective in reducing gender gap between men and women. These recommendations are expected to be implemented in a number of pilot countries. The first will be Costa Rica, whose Ministry of Finance has already signalled its commitment in this regard. COSEFIN and the pilot countries will thus join the network of Latin American countries already collaborating in this area with EUROsocial+, such as Argentina, Brazil, and the State of Guanajuato in Mexico.

## Percentages of progress by size and type of country

Dimensions	Type 2	Type 3	Type 1	Type 2	Type 3	Type 3	Type 1
Medium-term outlook	56.3%	37.5%	100%	75%	75%	37.5%	50%
Generation of statistics	91.7%	50%	66.7%	100%	50%	100%	75%
Planning	55.6%	66.7%	77.8%	94.4%		36.1%	100%
Budget plan	80%	50%	100%	80%	60%	20%	100%
Budget schedule	66.7%	58.3%	66.7%	66.7%	83.3%	16.7%	50%
Gender-based perspective	50%	50%	57.1%	14.3%	50%	0%	57.1%
Budget and financial management	83.3%	52.8%	88.9%	83.3%	38.9%	83.3%	80.6%
Monitoring and assessment	30.8%	0%	38.5%	30.8%	23.1%	0%	46.2%
Incentives	0%	0%	0%	0%	0%	0%	75%
Accountability	100%	62.5%	75%	50%		75%	100%

Source: EUROsocial+ (2020): Budget by results in Central America, Panama and the Dominican Republic. Diagnosis of the current situation.

The table shows the extent of progress in each country analysed on the basis of the different dimensions of performance-based budgeting. Regarding the countries (anonymised), we have seen that three recorded a low level of performance in practically all areas, two have made middling progress, with some very advanced aspects and others that lag behind, while a further two countries showed significant progress in virtually every area. From the aggregate perspective of the region, it is clear that there are areas with notable progress in most countries, such as "generation of statistics" and "plan-budget linkage", other dimensions with disparate returns such as "medium-term perspective" and "gender perspective" and others that can be improved by most countries such as "monitoring and evaluation" and "incentives". In short, this screenshot shows the elements in common between the various countries – regional aspects in other words – and also those more specific to each individual country, allowing joint approaches and others more grounded at a national level.