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The logo for the International Institute of Social Studies, featuring the word "Erasmus" in a stylized, cursive script.

A step beyond formalities
**Analysing how performance criteria influence budgeting
allocation in Peru from the perspective of civil servants**

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Disclaimer:

This document represents part of the author's study programme while at the International Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

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List of Acronyms

BPs	Budgetary programmes
DIHNs	Directorates of Integrated Health Networks
MEF	Ministry of Economy and Finance of Peru
MoH	Ministry of Health of Peru
NPG	New Public Governance
NPM	New Public Management
PBB	Performance-Based budgeting
RBB	Results-Based Budgeting
RBM	Results-Based Management

Abstract

The Research Paper aims to understand how performance criteria shape civil servants' practice during budget allocation, taking the health sector in Peru as a case study. This study has been based on the premise that civil servants' work in their everyday day is beyond the regulations, and it is necessary to compare the theory versus the practice to understand better how the state functions. As a result, it is explained that performance criteria do not have the expected impact on civil servants' practice, which is to make decisions based on performance. In practice, incorporating performance criteria in the budget allocation is uneven and depends on the actors and their motivation. Furthermore, in the case of Peru, the current political context intensifies the barriers to using performance criteria. Moreover, it analyses how NPM ideas have influenced the state's vision as a rational institution based on performance, leaving behind other important and valuable criteria for civil servants' decision-making. Finally, recommendations are given to improve the process.

Relevance to Development Studies

This topic is relevant to Development Studies because understanding how decision-making functions during budget allocation is essential to comprehend how public resources are distributed to meet society's needs. In the case of Peru, the budgetary process is supposed to be performance-based and link resources with results in the population. Previous research has focused on how it should be and the formalities of the system. Instead, this Research Paper studies its implementation, studying the civil servants' practice. By understanding implementation through their point of view, it is expected to provide information on how budgeting allocation works in practice and how to improve it.

Key words

Performance-based budgeting, budgeting allocation, performance information, public administration practice, civil servants.

Introduction

Once, a Peruvian political scientist defined a ‘technocrat’ as an expert who loves his country but despises its people (Vergara, 2017). Beyond a doubt, this interpretation represents the perceived contradiction between what the Peruvian state aims and what people want.

How to connect the state’s actions to society’s needs is not a new debate, but it is still relevant nowadays. Different actors such as academia, international organisations, civil society, and the state itself have been reflecting on how the state should be managed to promote societal development. These discussions turn around the concept of governance, which can be understood in a broad spectrum between managerial principles (that address topic in public management and efficiency) and political principles (that involve building democracy, social justice, and human rights).

In Peru, managerial principles have significantly impacted the state in the last two decades. New Public Management has notably influenced Peruvian public administration, with its central premises on the incorporation of private sector management styles, the generation of standards and measures of performance, and the emphasis on results. Hence, according to Peruvian public administration policies, the state ought to deliver goods, services, and regulations that achieve results in addressing people’s needs based on evidence, and do so promptly and efficiently.

Up to this point, the Peruvian state seems to have the means to meet its population’s needs; however, as mentioned at the beginning, the feeling is entirely different. For instance, according to a recent study by the World Bank (2023), Peru is dealing with high rates of poverty vulnerability, territorial inequality, and disparities in access to public services, problems that intensified after the pandemic. It is also mentioned that the political instability that the country has been experiencing in recent years is deteriorating any prospect of stable and sustainable governance, causing popular discontent.

Based on this contradiction, this research examines how the state works. Without a doubt, it is a broad and complex topic. Therefore, this study focuses on one part of public administration: the budgetary system. During the allocation of resources, different actors are involved in deciding what interventions to implement the next year. Thus, this is a space where rational thinking is expected through the use of performance criteria, but at the same time, it is also a space where different interests and motivations converge.

For that reason, this Research Paper aims to understand how performance criteria shape civil servants’ practice during budget allocation, taking as a case study the health sector in Peru. This study wants to analyse the state, not as an institution without a face but from the perspective of its workers. Moreover, the focus is on the health sector because it was the first to adopt performance budgeting formally. Consequently, this study has been based on the premise that civil servants’ work in their everyday day is beyond the regulations, and it is necessary to compare the theory versus the practice to understand better how the state functions.

The document is organised as follows: First, it presents the research questions and scope of the study. Second, it describes the characteristics of the study design. Third, it introduces the main concepts used during the research according to the literature. Fourth, it explains why and how the Peruvian budgetary system adopted performance criteria and introduces the case study. Fifth, it analyses the fieldwork results and secondary information. Finally, conclusions and recommendations are presented.

Chapter 1

Research questions and scope

This chapter presents the main research questions and sub-questions of the Research Paper. Then, it describes the scope of the study considering the types of budgets existing in the Peruvian system and the period of time analysed.

1.1. Research questions

The main research question is the following: **How do performance criteria influence civil servants' practice during the budget allocation process in the Peruvian state?**

From here arise the following sub-questions:

- a) How do civil servants define performance criteria within the context of the budget process in Peru?
- b) How do civil servants use performance criteria during the budget allocation process in Peru?
- c) What factors influence civil servants to use performance criteria (or not) during the budget allocation process in Peru?

1.2. Scope

Two main considerations should be considered regarding the scope of this Research Paper: the type of budget and the period of time analysed.

About the type of budget, it should be noted that the budgeting world is full of categories and rules; hence, not all budgets work the same way. First, there are different 'budget categories':

- a) *Budgetary Programmes (BP)*: A budget directly related to a programme designed under the logic of Results-Based Budgeting.
- b) *Central Actions*: A budget that is indirectly related to BPs and has a transversal nature, for instance, actions related to planning, management, legal assistance, etc.
- c) *Other Budget Allocations that do not Result in Products*: A Budget unrelated to any BP.

The research focused its analysis on the budget related to BP because, here, there is a tangible and rational intention of implementing performance criteria into the decision-making process. In 2022, this 'budget category' represented 48%¹ of the total budget.

Second, another way to differentiate the budget is through activities and projects. The first relates to the entity's regular activities, and the second refers to investment projects, for instance, the construction of infrastructure (a hospital, school, highway, etc.). It is important to make this differentiation because the teams that analyse these types of budgets are different, and so are the normative and procedures. This research focused its analysis on the budget only related to activities. In 2022, the budget for activities inside BPs was 60%².

About the period of time, the Research Paper focused on the year 2022. This decision is widely explained in the study design and is related to the availability of information during the fieldwork. Nevertheless, this focus was not exclusive, and some analysis and reflections, as far as possible, were made regarding a more general overview of the budget process.

Chapter 2

Study design

This chapter defines the characteristics of the study design, such as the research philosophy, design approach, methodological choices, strategies, time horizon, and techniques and procedures. Then, it enumerates the limitations of the study.

2.1. Philosophy and approach

Research philosophy refers to the assumptions influencing the research design and the research itself regarding the nature of reality, knowledge, values and ethics (Saunders and Lewis, 2018). For this Research Paper, the philosophy adopted combines critical interpretivism and pragmatism.

First, interpretivism aims to understand ‘what is going on’ considering context, particular circumstances, participants, and their interactions at a specific time (D. O’Gorman and Macintosh, 2015; Saunders and Lewis, 2018). So, it focuses on understanding a social phenomenon or situation in a given context rather than measuring it (Patton, 1990; Klein & Myers, 1999; as cited in D. O’Gorman and Macintosh, 2015).

For conducting interpretative research, Klein and Myers (1999) propose a set of useful principles to encourage critical thinking. The fundamental one is the hermeneutic circle, understood as “we come to understand a complex whole from preconceptions about the meanings of its parts and their interrelationships” (p. 71). Another principle is the importance of contextualisation to generate critical reflection on the social and historical background of the studied situation. Also, regarding the instruments used to collect information, the authors determine that the information is produced between the researcher and the participants.

The abovementioned shows the subjectivity component of interpretative research. In response, Klein and Myers (1999) also define some principles to consider. For instance, the researchers must use and relate theoretical abstractions and generalisations to the field study to clarify how they arrive at their insights. Also, the researchers must be aware of their preconceptions, be transparent about them, and be willing to be reviewed by third parties. Furthermore, there could be biases, distortions, and contradictions in the participants' narrative, so the researchers must be aware of them and the influence of social context and conflicts related to power, economics or values.

Second, pragmatism aims to contribute to practical solutions based on an identified problem (Saunders and Lewis, 2018). In that sense, it has a practical approach focused on the usefulness and applicability of research findings or ‘what works best’ for practical solutions. This philosophy is reflected in this research through its recommendations.

Concerning the approach for the study design, it is abductive. This means that “instead of moving from theory to data (as in deduction) or from data to theory (as in induction), [...] [it] moves back and forth, in effect combining deduction and induction” (Saunders and Lewis, 2018, p. 113). Thus, some research questions from general theory and my previous experience were first made, and then some hypotheses to help design the collection tools to deep-in the analysis. Also, mainly during the data collection, I moved from specific observations to broader generalisations, observing patterns and repeated occurrences to give feedback to the original research questions and hypothesis.

2.2. Methodology and research strategies

It is composed of five main stages: (i) self-reflection, (ii) literature review, (iii) information collection, (iv) analysis, and (v) conclusions and recommendations. Different strategies were applied during these stages to help answer the research questions.

The first stage involves reflecting on my previous experience in performance budgeting as a civil servant in Peru. I worked designing, implementing, monitoring, and evaluating BPs from the private and public sectors for eight years. Part of my experience was at the Ministry of Economy and Finance (MEF). Thus, my professional background gave me preliminary insights about implementing performance budgeting in the Peruvian State that helped me draft the first versions of the research questions.

Here, the research strategy used was an approximation of an ethnography, to be more explicit, an autoethnography. Indeed, the analysis was not made while working in Peru, but I want to consider some principles of this strategy. It “capture[s] not just what was going on, but for this experience to reveal insights into the broader understanding of social structures, behaviours and processes to inform the legitimacy challenges of action research” (Denzin, 1997; Anderson, 2006; Doloriert and Sambrook, 2012; as cited in Smith, 2020, p. 235). Applying this principle, I wanted to identify practical and inground insights about civil servants' practice and context. I am aware of the limitations of applying this, so it is not used as the central strategy of the study but as a complement to other strategies explained below.

The second stage involved reviewing literature on academic papers, applied research studies, prescriptive documents from international organisations, and Peruvian laws and guidelines. Special attention was given to Performance-based Budgeting (PBB) and bureaucrats' practices. This activity helped me to understand the main statements about these topics and the literature gaps, hence also to adjust the research questions. Regarding the Peruvian laws, I also did a historical review to identify the evolution of PBB in the aspects related to the Research Paper. The list of norms reviewed can be seen in the Appendix 1.

The third stage consisted of the fieldwork. The data collection was applied considering the case study of the health sector. According to Saunders and Lewis (2018), “case studies are particularly good at enabling the researcher to get a detailed understanding of the context of the research and the activity taking place within that context” (p. 122). This decision was taken because the level of implementation of PBB and the context of every sector is very different, and picking one case study allowed me to go in-depth into the analysis. More description of the case study is given in section 4.3.

I interviewed civil servants of MEF and the Ministry of Health (MoH). I applied a semi-structured questionnaire (Appendix 2). Here, an “interviewer asks about a set of themes using some predetermined questions but varies the order in which the themes are covered and questions asked [he] may choose to omit some topics and questions and ask additional questions as appropriate” (Saunders and Lewis, 2018, p. 158). It allowed me to adjust the interviews according to the characteristics of the interviewees, but always taking into account the main objectives of the research. The information collected in this stage also permitted me to adjust the research questions and the following questionnaires for the interviews.

In the fourth stage, I transcribed and systematised the interviews and analysed the answers. For this task, Atlas.ti was used. These were confronted with the insights of the first stage and the literature and statements found in the second stage. As a result, an analysis is presented.

Finally, I generalised the findings in the fifth stage and presented the conclusions. Likewise, as far as possible, I translated the main findings into recommendations.

2.3. Data collection and analysis

It required both desktop and fieldwork. In that sense, the reliability and validity of the collected data had to be cared for. Validity is the “extent to which (a) data collection method or methods accurately measure what they were intended to measure and (b) the research findings are really about what they profess to be about” (Saunders and Lewis, 2018, p. 134). In contrast, reliability is the “extent to which data collection methods and analysis procedures will produce consistent findings” (Saunders and Lewis, 2018, p. 135).

In that sense, I identified two types of desktop work: literature review and document review. The first aimed to identify the main theories/frameworks/models and debates about defining and using performance criteria in public administration. For this, I read academic papers, applied research studies, and prescriptive documents from international organisations. The second had the objective of identifying how the Peruvian State defines performance and incorporates it during the budgeting allocation. For this, I reviewed Peruvian norms, guidelines, and instruments that are part of the budgeting process.

The self-reflection process was developed from January to July 2022, when I worked in MEF, specifically in the Directorate of Quality Expenditure. There, I had two main roles: first, to promote performance budgeting in the health sector during the allocation process and second, to design the method for monitoring national performance indicators. It should be noted that there is a conscious decision to use this information in the first stage of the methodology because its objective is to guide the research in an initial phase. After that, I applied other instruments, such as interviews or document reviews. Also, I checked all the possible information with documentation made at that time, such as memorandums, reports, systematizations, etc. This information was used only to reassemble the process, and no internal or sensible information was used or revealed.

The interviews were developed between August and September 2023 in Spanish (Appendix 3). They were recorded to facilitate subsequent systematization (previous agreement) and lasted between 30 to 40 minutes. Since this research was done in The Netherlands, the interviews were conducted online and synchronously. On the positive side, it helped me to reach the interviewees easier because, due to their busy agenda, finding a timeslot was more accessible. Also, because of the pandemic caused by COVID-19, having meetings online is now an everyday practice for the interviewees; consequently, this practice has more openness and habituation. However, as some scholars mention, the disadvantage of virtual interviews is the limitation of physical and nonverbal communication and challenge the researcher to still show attentiveness, warmth, and trustworthiness (Steele et al., 2022; Jowett, Peel and Shaw, 2011). These limitations could have affected the quality of the information gathered, mainly in a couple of cases where, due to connectivity problems, the interviewees could not turn their cameras on.

In order to consider the reliability of the data collected, I used four main criteria. This decision attempted to reduce subject selection bias, that is, the selection of subjects that may be unrepresentative for the research; furthermore, to avoid selecting people who could not have the information that has been looked for.

- *Experience time:* (1) People who participated (at least) during the allocation process for the year 2023. In case criterion (1) could not be met, criterion (2) was applied, choosing people who participated in previous allocation processes no more than two years before.
- *Working time:* People with a minimum of six months of experience in the entity (MEF or MoH) with emphasis during the months between January and August.

- *Role:* People who participated directly in the allocation process, either with functions related to budgeting, planning, monitoring or evaluation.
- *Position:* Different points of view were encouraged, so interviews were applied to high (directors), medium (coordinators) and operator levels (analysts).

In total, I made 10 interviews, which can be disaggregated as follows:

- *About the place of work:* 7 were from MEF and 3 from MoH.
- *About the working time in the entity (MEF or MoH):* 4 had high experience (more than 8 years), 2 had medium experience (on average between 3 and 4 years), and 4 had short experience (2 years or less).
- *About the position level:* 3 were high, 4 were medium, and 3 were operators.
- *Other characteristics:* There are gender (6 female, 4 male) and general professional experience (2 with less than 5 years, 4 between 10 and 11 years, and 3 with more than 25 years).

Additionally, two main risks regarding the method of data collection were considered. First, the answers could have a degree of subject bias because some interviewees knew me from the past. To tackle this, the questions focused on general aspects of the budgetary process and their personal experiences. Even so, it was highlighted at the beginning of the interview (and during the interview if necessary) that this was for research purposes and that their answer would not be shared with anyone related to their jobs. Second, since the interviews had a part of semi-structured questions, there could be an observer error, which is the way the question could be asked in slightly different ways that could lead to different answers. To tackle this, I identified the questions that needed to be standardized (for example, to ask for perceptions).

2.4. Limitations

It is pertinent to point out that there were some limitations during the research. The first limitation was to reach people who met the interview requirements. As will be broadly explained later, staff turnover has been very high in recent years, both in MEF and MoH. This made it harder to find and contact people with the required time experience since many of them were working in another entity. For example, seven of the ten interviewees are no longer working in their initial position. A second limitation was the difficulty in arranging the interviews because the time when the fieldwork was done coincided with the busiest period during the budget process.

A third limitation was the lack of response from people managing health services at a local level, such as Lima's Directorates of Integrated Health Networks (DIHNs). Again, the staff turnover probably limited the response because it should be highlighted that all four general directors of the DIHNs were changed in August 2023 (actually, one was on 31 July), and the budget directors were also changed, one in April and three in August 2023 too. This situation limited the views of the interviews to mostly national-level public officers' perspectives.

Finally, a fourth limitation was access to public information systems. For example, Consulta Amigable SIAF-MEF is a website updating all public entities' budgetary allowances and expenses daily. Another example is RESULTA, which has information about the BP performance indicators. However, for some reason, those are no longer accessible from a foreign country. While it is true that this limitation was overcome in the end, I think it is important to mention it to acknowledge new barriers to transparency.

Chapter 3

Conceptual framework: Performance and practice

This chapter presents the main concepts used for this study. First, it outlines how the state's management is understood, emphasising the paradigm of New Public Management (NPM), its influence and criticisms. Second, it describes how NPM shaped budgeting systems conceived through PBB. Third, it mentions the role of policy in the budget process as a response to the focus on technical aspects. Fourth, it defines what is understood by practice in public administration and the relevance of studying it. Finally, it reviews how incorporating performance criteria in the budget process is implemented in practice.

3.1. About the incorporation of performance criteria in public administration

There is a continuous discussion about how to understand governance in the public sector. As Hyden (2011) notes, it covers a wide range of political, administrative, and economic concerns; broadly speaking, it can be summarised considering a scale between effectiveness and legitimacy. The first is related to public management, particularly the financial part and how to improve service delivery; the second is related to politics, building democratic institutions, promoting social justice, and strengthening human rights (Hyden, 2011).

The one related to public administration dates back to the 1970s. It is related to two trends: “the blurring of the relationship between what is public and private and a similar tendency to dim the relationship between policy and politics, on the one hand, and implementation and administration on the other” (Hyden, 2011, p. 7). It is also associated to the NPM paradigm, which came as “a reaction to a perceived weakness of the traditional bureaucratic paradigm of public administration” (O’Flynn, 2007, p. 354).

NPM definition in literature is broad. As Pollit, van Thiel and Homburg (2007) say, “NPM is like a chameleon: it constantly changes its appearance to blend in with the social context” (p. 4). However, Hood (1991) synthesizes it into seven main ideas, of which I would like to highlight the following: First, the claim of ‘hands-on’ professional management in the public sector organisations; second, the existence of explicit standards and measures of performance, which are translated into goals and indicators mainly in quantitative terms; and third, the greater emphasis on outputs controls rather than procedures, which means that resource allocation is linked to measured performance. Thus, there is a general conception of public administration as a rational institution that makes decisions through a structured thinking model based on evidence and assembled to achieve results. These are core characteristics of PBB, especially in Peru, which will be described in the following sections.

However, NPM's impact is ambiguous and not free of criticism. Possible advantages of NPM are the highest pressure on public agencies to improve their efficiency and efficacy considering the satisfaction and impact of the public services on the ‘users’; in contrast, NPM disadvantages are the excessive promotion of efficiency over democratic values, that could reduce the participation of local elected officials or civil society (Ferlie, 2017).

As scholars mention, the bright of NPM has faded, and new paradigms are being proposed to try to capture the complex reality of public service design, delivery and management (Jose, 2021; Podger, De Percy and Vincent, 2021; Osborne, 2010). For instance,

New Public Governance (NPG) highlights the importance of collaboration, networks, and citizen participation (Osborne, 2010; Rhodes, 2011). Its main characteristics are the following: first, the dispersion of power, giving space for participation during the decision-making process to society; second, the highlight of the coordinating role of the state and builder of dialogue platforms; third, the generation of complex networks instead of traditional single-line structure; and fourth, the flexibility of the networks, which lean more on trust instead of rules and systems (Xu, Sun and Si, 2015).

However, as Podger, De Percy and Vincent (2021) say, NPG does not yet have such a big impact on financial management as NPM. Nevertheless, the ideas promoted by NPG, such as ‘decentred’ governments, facilitation of bottom-up approaches and the participation of citizens, will inevitably again shape how we conceive financial management.

Both NPM and NPG are relevant in the Peruvian case. The recent policy of modernizing public management has the vision to achieve goods, services, and regulations that accomplish public policy results based on evidence and address people’s needs promptly and efficiently (SGP, 2022). Here, characteristics of NPM, such as results-oriented and evidence-based, can be identified in this statement. However, it is noteworthy that this policy explicitly proposes to go from NPM to NPG, as they said, “shifting from an approach primarily centred on developing and strengthening internal management means to an approach concentrated on co-creating goods, services, and regulations that better align with people's needs” (p. 19).

3.2. About performance in budgeting

In line with NPM’s ideas, there is a paradigm called Results-Based Management³ (RBM). In general, it is related to generating public value in citizens, articulating actors involved in the processes to achieve the expected results, seeking maximum effectiveness and efficiency in performance in state management, and generating and using performance information to support decision-making and generate accountability (OECD, 2002; IADB and CLAD, 2007; García & García, 2010; UNDG, 2011). This paradigm defines the public administration dynamic components related to planning, budgeting, project management, financial management, audit and acquisitions, and monitoring and evaluation (García & García, 2010; UNDG, 2011). Regarding the budget, it is called PBB⁴.

PBB is based on performance information that allows conclusions about efficient and effective public expenditure to make decisions (Cuganesan, 2017; García & García, 2010; Zhao, 2018). In this line, Podger et al. (2018) define that “the processes are also aimed at ensuring the ‘proper’ use of public resources, meaning the ‘efficient, effective, economical and ethical’ use of resources [...] the processes are also aimed at providing feedback from measured results to guide both political and management decision-making” (p. 368).

Regarding the meaning of performance information, it is usually associated with performance indicators and evaluations (Robinson, 2009; García and García, 2010). Both concepts will be defined in section 4.1. according to the Peruvian context. It should also be noted that performance information is mainly understood as the one that helps to avoid inertial or clientelism allocation (García and García, 2010). In other words, to keep increasing an agency's budget in the same proportion yearly without any base or specific objective, or to increase it in exchange for political favours or support.

Other authors are more critical of PBB and recognise that the abovementioned definition has limits. On the one hand, there is no compelling and proven model to implement PBB because all governments are different in organisational, cultural, and political contexts, creating a complex situation requiring a unique design or implementation budgeting

system (Moynihan and Beazley, 2016; Niu, 2018; Podger et al., 2018). On the other hand, the definition in practice is broader; as Schick (2003) says, “a performance budget is any budget that represents information on what agencies have done or expect to do with the money provided to them” (p. 101).

3.3. About politics in budgeting

PBB characteristics are more focused on a managerial understanding of the state and in a more rational practice for decision-making. Here, there is a tendency to understand the state as a rational and non-political actor. However, as Bryld (2000) says “the state can never act apolitically” (p. 703). According to many scholars, the budget also has a political component. For example, Moynihan and Beazley (2016) note, “the budget is, and always will be, an inherently political document, in terms of both partisan politics and the goals and motivations of different government entities” (p. 12). Moreover, Gilmour and Lewis (2006) mention that “budgeting is a political decision influenced by the political content of programs themselves and the political predispositions of key actors in the budgeting process” (p. 171)

Therefore, in this case, politics can be understood as the conflict and cooperation between different actors that influence decision-making (president, congresspeople, administrative agencies, civil society, citizens, etc.) and the level of influence and persuasion they can apply to achieve their aims. As mentioned by Wildavsky (1964), “it makes no sense to speak as if one could make drastic changes in budgeting without also altering the distribution of influence” (as cited in Good, 2011, p. 45).

The abovementioned also applies when trying to change how the budget system works. For this case, Wildavsky (1961) highlights that those changes undoubtedly affect the political process too, because the aim is to modify the patterns of decision-making and, consequently, there are winners and losers in terms of their influence in the budget. For example, incorporating PBB criteria in a traditional budgetary system would imply that those managing information will have more power in budgeting decisions.

Two state actors are highlighted in this discussion: Politicians and bureaucrats. While the first are elected figures, the second are non-elected figures seen as policy executors. Nonetheless, scholars point out that the view that politicians choose policies and bureaucrats implement them is too simplistic because the boundaries between decision and execution are too blurry (Panday, 2017; Alesina and Tabellini, 2007). For example, bureaucrats can play a key role in identifying and defining policies as well as implementing them, especially in countries like Peru, where there are fragmented and weak political parties (Gálvez and Grompone, 2017).

This dichotomy brings, in many cases, conflict between both actors because of the different nature of their jobs; while one actor is accountable to their voters and party, the other is expected to work under neutrality and more rational methods. However, scholars emphasise the importance of working together. On the one hand, politics needs the bureaucracy’s expert knowledge of methods for policy formulation and implementation; on the other hand, bureaucrats need political encouragement to focus on what their work is supposed to accomplish (Khoo, 2014; Shick, 2003).

3.4. Public administration in practice

Some scholars say the connection between theory and practice in public policy or public administration is low (Threfall and Althaus, 2021; Freeman, Griggs, and Boaz, 2011; Wagenaar, 2004). Indeed, there is a recognition that theory and practice should influence each other; however, as Freeman, Griggs, and Boaz (2011) mention, “we know surprisingly little of what those we call ‘policy makers’ actually do when they are doing their job” (p. 128). Hence its importance in studying it through this Research Paper.

The word ‘practice’ is related to the work that, in this case, civil servants or policymakers do in their job besides what the norms regulate, in other words, how they do things. In the literature, the findings about the state workers’ practice show that normative rules are ‘irremediable incomplete’ and implicit work is needed (Wagenaar, 2004). It is impossible to regulate every step the state workers need to take to do their jobs. There are norms, but ‘implicit work’ or actions that are not regulated or documented must be done by state workers to fulfil their goals. There is a recurrent metaphor of how the state should work that is like a machine in which the gears are finely arranged to work. However, reality is far from that because it is impossible to foresee and codify all the potential situations and solutions.

For instance, it would be hard to imagine applying the same decision-making criteria to the education and health sectors. In the former, you can calculate the service's cost considering the population's age group and its needs (e.g., primary or tertiary education). In the latter, you consider the rate of morbidity and comorbidity in the population, which is not always directly linked to age group (e.g., tuberculosis or metaxenic diseases). Furthermore, specifically in health, almost every kind of disease operates differently, affecting different types of people. And the details can go on ad infinitum.

The scenario is not different if we consider the type of work that is intensive in using evidence. Löfgren, and Bickerton (2021) analysed the use of evidence in New Zealand's policy professionals and found that “the ideal of evidence-based policymaking [...] is far from prevalent in day-to day policy work; instead, political considerations, crises and ‘narratives’ guide the operations” (p. 108). In this line, an experiment with Danish politicians found they had a “strong confirmation bias when confronted with new information [...] and providing more evidence that challenges prior attitudes actually results in stronger confirmation biases and motivated reasoning” (Baekgaard et al., 2017, as cited in Bach and Wegric, 2020, p. 534)

It is also important to consider that the production and use of evidence are not always as objective as it looks. There can also be decisions about when to produce/use it or not. Also, information can be interpreted in different ways. For instance, here are some questions that can help to understand the various edges of evidence: who decides what to evaluate and not and what are their interests? What are the motivations to use or not evidence? Is a piece of information always interpreted in the same way no matter the reader? Are incentives to use evidence always strong so it is used even if the information does not benefit the user?

Analysing the practice of state workers can bring a new perspective on how paradigms work further than it is written on paper. For example, Shack et al. (2022) evaluated the RBM development in Peru. They mention the existence of formal instruments as a positive advance, such as the dataset of performance indicators and the development of evaluations, etc. However, later, they mention that there is still a gap between producing all this information and its use and link with the budgeting process. The reasons why this is happening are still unclear or unsystematized. Studying the practice of state workers might help to understand the causes of these problems and, hence, propose alternatives to deal with them.

3.5. Incorporating performance into practice

Despite extensive literature about the importance of performance information for PBB produced by governments, academics, or international organisations, it may fall short of moving from the design to the actual implementation. Some literature suggests that there is “a gap between what is formally declared and what is practically achieved” (Mauro, Cinquini, and Grossi, 2017, p. 14) or that “a large proportion of PB[B] articles is dealing with the design, [but] implementation and use of PB[B]s in a rather general manner” (Bleyen et al., 2017, p. 2). It should be noted that this situation is not only related to PBB but also to RBM in general; as Pollit (2000) mentions, “a great deal of the available material on public management reform is either promotional (‘look at what we are doing’) or how-to-do-it (‘a guide to . . .’). [...] it would be unwise, therefore, to assume that, in aggregate, these types of rhetoric and documentation afford a full and balanced picture of what is happening ‘on the ground’” (p. 182).

A similar situation happens with performance information. Some scholars point out that, in practice, it has problems in terms of production and usage. Measuring performance has always been a challenge regarding the production of information since identifying, measuring, and attributing outcomes is a complex task (Hawke, 2021). For example, in the case of performance indicators, first, identifying the outputs and outcomes of the project, programme, or policy is needed to know what should be measured. In addition, some outputs and outcomes are complex to measure, and it is impossible to measure all their characteristics, so approximations and interpretations must be made.

For instance, if you want to know the prevalence of mental health problems in the population (for a mental health policy), it would be impossible to make a diagnosis for all the population. As an alternative, a sample can be done, but still, there are decisions to make as the following: Which diseases to take into account? (all of them or only the most frequent); How will the data collection be done? (a proper diagnostic that takes time or proxy questions that can be applied quicker but less accurate); At what level of representativeness? (the greater the detail, the greater the sample). It must be added that the better the quality and detail, the more expensive it would be to collect the information.

On the other hand, some authors point out that information is usually unused (Halligan, 2021). The literature gives some ideas about what might be the main challenges, such as providing credible and relevant information, providing this information on time, the lack of expertise to use it properly, the predominance of other uses like accountability or motivational, the role and beliefs of different actors about PBB or even the lack of a standard definition of PBB the guide its implementation (Bleyen et al., 2017; Mauro, Cinquini, and Grossi, 2017).

Additionally, as explained in the previous section, the budget is also political, and it affects how it is conceived and used. As Podger et al. (2018) mention, “the allocation of resources by political leaders generally reflects political factors, not the performance information [...] to the extent allocation is guided by performance information and risk analysis, this seems to relate to management decisions by administrators rather than ministers or other politicians, and even here the evidence presented suggests considerable risk aversion among the bureaucrats” (p. 370). Also, other authors, such as Niu (2018), highlight that political context and factors have different impacts on utilising performance information. Furthermore, Podger et al. (2018) mention a difference in the use of this kind of information by politicians/ministers and managers, being the last ones most likely to use it and even so with some limitations.

Chapter 4

Peruvian case: Adapting the budgetary system to performance criteria

This chapter describes why PBB was inserted into the Peruvian budgetary system, and how it works in general terms. Then, it introduces the study case selected for this Research Paper.

4.1. Origins and evolution of performance budgeting in Peru

PBB in Peru was first formally approved in 2007 under the name of Results-based Budgeting (RBB). However, it should be noted that formal discussions for implementing it started earlier, and a series of events shaped its conception, mainly related to two main general ideas: (i) transparency and accountability and (ii) efficacy and results.

To understand the origins of RBB, the information collected by Wray (2020) through interviews with the people who participated in that initial process is valuable. The author mentions that there were three main background aspects to consider. First, there was a concern about increasing public spending transparency due to Government corruption during the 90s. Second, the budgetary system suffered from changes because of the decentralisation process of the State (initiated in 2002) that implied more budgetary independence and responsibilities for the regional governments.

And third, there were demands to improve the accountability and transparency of the Peruvian State requested by the civil society. To provide more context to this point, the World Bank evaluated what was happening with financing social programmes in Peru. As a result, they found a significant increase in the budget before elections, and it was directed at provinces where the marginal political impact of expenditures was likely to be greatest (Shcady, 1999). This case is an example of how the ‘political’ use of public resources is commonly understood: Correlated with the individual interests of politicians.

Complementarily, economic context should be considered, too. At that time, the country's economy was stabilised, and an economic boom generated more revenues. Nevertheless, there was no feeling that the situation was improving regarding the quality of public services and social indicators (Jiménez, 2010). This situation also brought discussions about how the budget was being executed. According to the interviews made by Wray (2020), inside MEF, there was no certainty that results were being obtained because there were no clear goals for the public entities, and these last ones had problems in the capacity to execute their budget. Thus, the idea of budget inertia, a budget assigned only considering the previous year's budget, was also expected to be tackled with RBB.

So, as mentioned in the beginning, RBB was approved in 2007. Its incorporation into the legislation was thorough in Law No. 28927 – Law of Public Sector Budget for Fiscal Year 2007. Here, RBB was not extensively defined, but it determined that institutions must support their budget based on the information generated by the results indicators and specific evaluations. Also, some instruments were mentioned, such as strategic budget programming, physical goals, results indicators, and the development of pilot evaluation tests.

The yearly budgetary laws were continuously used during the following years to add more extensive definitions, instruments, and responsibilities for MEF and other public entities. However, it was not until 2009 that MEF made changes to the Law of the National

Public Budget System, Law N° 28411 (from 2004). One important incorporation was the definition of RBB. It was defined as a methodology applied to all the budgetary process, seeking efficacy and efficiency in resource use and bringing feedback to the following budgeting allocation process. This statement evolved over the next years, changing its definition from a methodology to a strategy, incorporating ideas of accountability, and giving importance to information generation.

It was not until 2018 that the last change was made by approving a new Law of the National Public Budget System, Legislative Decree N° 1440. There, RBB was defined as follows:

“The Public Sector Budget is structured, managed and evaluated under the logic of the RBB, which constitutes a public management strategy that links resources to products and measurable results in favour of the population. Each budget process phase is carried out under the logic of RBB through its instruments: budget programs, monitoring, evaluation and budget incentives.” (LD N° 1440, article 13.6)

The quote above shows that RBB is finally conceived as a strategy; however, it is unclear what that means. Are there other strategies? What is the difference with a methodology? And, most importantly, how is it implemented? After reviewing the law (and other related documents published by MEF), there is no more detail about RBB and, as seen in the following section, how it connects all the budgetary phases. This can be an example of how some concepts and implications are still not widely explained.

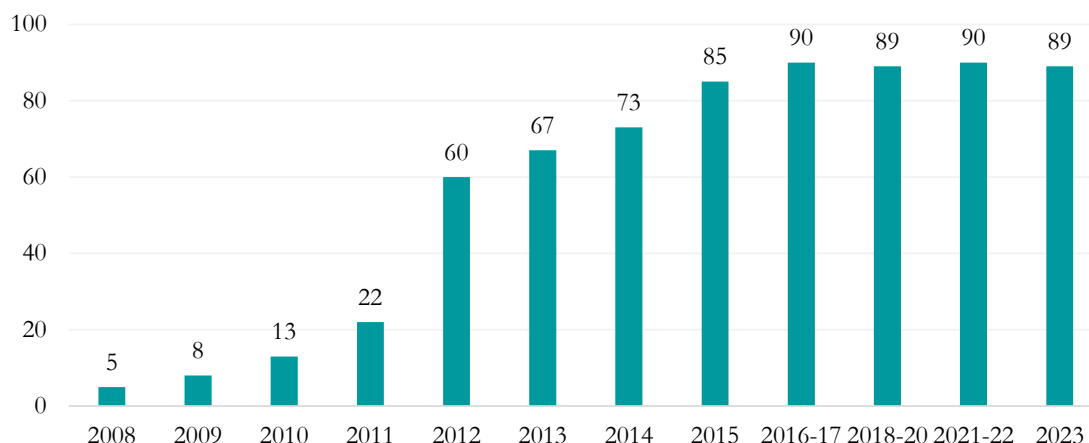
It is also worth mentioning that MEF's website has a more extended description of RBB and its importance. Two points are highlighted: (i) it prioritizes public spending on the provision of products (goods and services) that, according to evidence, contribute to achieving results linked to the well-being of the population, and (ii) it generates useful information that helps in making better decisions in budgetary and management matters (MEF, NN).

Regarding the RBB's instruments, four are defined in the Legislative Decree N° 1440, and some have their own norm (Directive), which regulates them in more detail. Next, I will elaborate on the first three⁵, which are more relevant to this study:

- a) *Budget programs (BPs)*: It is a programme that includes a group of activities which, integrated and articulated, aim to provide products to achieve results in favour of the population. The design of these programmes is based on the logical framework methodology⁶, which includes, in general, the analysis of the situation, a problem tree, a solution tree, an analysis of alternatives, and a logical framework with activities/products/outcomes and indicators.
- b) *Monitoring*: It is the prioritized exercise of analysis of the relationships between resources-input-output-results to identify progress and results obtained concerning those expected. Its purpose is to generate information that makes decision-making accurate and timely. Here, using performance indicators is key, an instrument that provides specific, observable, measurable information about the evolution of two or more variables. They can measure levels of results, products or activities, and dimensions of efficacy, efficiency, quality, and economy.
- c) *Evaluation*: It analyses the effectiveness of the interventions concerning the expected result, the allocative efficiency, the efficiency in the provision of services, and the efficiency of critical support processes. Evaluations can be about the design, implementation, processes, impacts, or spending reviews and may apply quantitative and/or qualitative methods.

The implementation of RBB in the public sector increased over time, especially during the first years of its implementation and then reached a point of stability around 2015-2106. As shown in the following Graphic, the number of BPs increased exponentially between 2008 and 2012, then it kept growing to a lesser extent until 2016, and in the next years, the figure remained between 90 and 89 BPs.

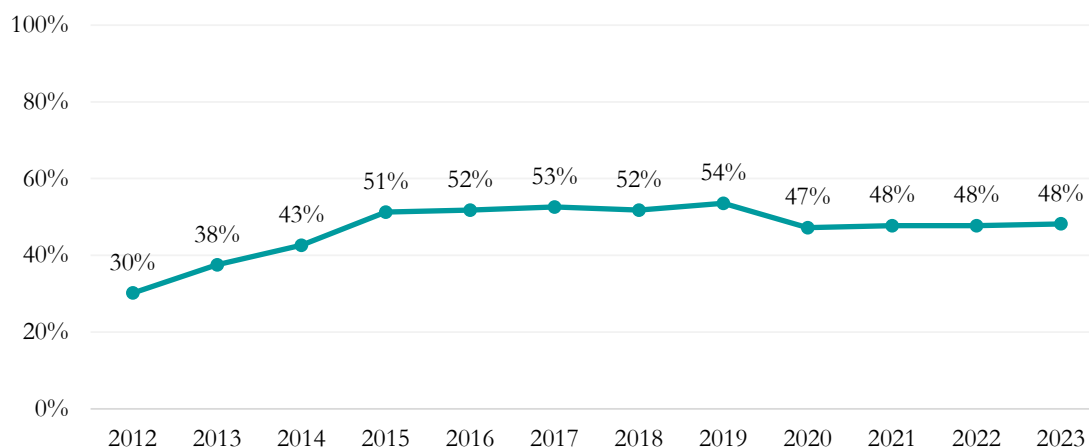
Graphic 1.
Number of BPs, 2006-2023



Source: Author's elaboration based on MEF website, Programmatic Structure of Budgetary Programmes.

In a complementary way, the following Graphic shows us the proportion of the budget oriented to BPs. It increased during the first years and stabilised around 2015-2016, too. It should be noted that there is a decrease of 7 points from 2019 to 2020, which is mainly related to the pandemic caused by COVID-19. During that period, the budget was reoriented to non-planned activities to tackle the pandemic, which are not part of BPs.

Graphic 2.
Proportion of the budget that is in BPs, 2012-2023



Source: Author's elaboration based on data from Consulta Amigable MEF (Accessed: 5 August 2023).

Note: There is no information available before 2012.

So, the implementation of RBB has slightly evolved since its implementation in terms of its definitions and concepts. It is also a strategy gaining space in the public budget, representing almost half of this. However, there is a general question about whether all this budget, besides being classified in BPs, really works under the logic of RBB. In Chapter 5, this Research Paper explores how RBB works in practice.

4.2. Budgetary process

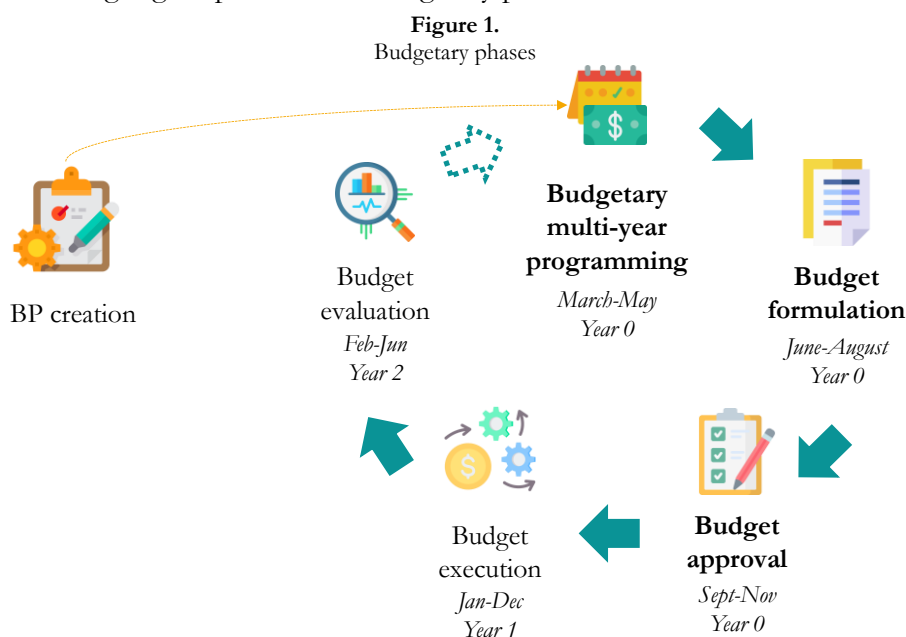
To understand how RBB is being implemented, first, it is necessary to understand the budgetary process. There are two main components to mention: (i) the design and approval of BPs and (ii) the implementation of BPs.

First, with the support of MEF, the sector designs the minimum contents of the BP. For this job, there is extensive use of scientific evidence, statistics and indicators, especially for the arguments that support the problem and its causes, as for the analysis of the alternatives. Also, there is a guide to rate the quality of evidence to be used. For example, the ones related to meta-analysis, systemic reviews, and experimental studies are the most valuable (level A) and studies that employ qualitative methods are the least valuable (level D). It is true that this category is not completely mandatory and binding to the BP approval; however, it has a strong influence on how evidence is understood.

Once the BP is approved, it starts its implementation. In budgetary terms, the BP enters the budgetary system and its phases. According to the normative, it includes:

- i. *Budgetary multi-year programming*: The budget is calculated for the next three years. MEF establishes the maximum limit to each agency and above which no expense can be programmed.
- ii. *Budget formulation*: Each agency disaggregates its budget for the first year and sets its goals. MEF constantly works with each agency during this phase.
- iii. *Budget approval*: The preliminary draft of the Budget Law of the Public Sector is proposed by MEF for the approval of the Council of Ministers. Then, it is sent by the President of the Republic to the Congress for its approval.
- iv. *Budget execution*: It begins on January 1st and ends on December 31st. During this period, the agencies spend their budget approved in the Budget Law of the corresponding year.
- v. *Budget evaluation*: It includes monitoring and evaluation. The recommendations and conclusions from both should be considered in the budgetary process.

The following Figure presents the budgetary phases and the timeline:



Source: Author's elaboration.

How does RBB fit in this cycle? This Research Paper focuses on the planning-related phases (budgetary multi-year programming, budget formulation, and budget approval), named the budget allocation process because they have more space to use performance information. In this section, the analysis is prescriptive, which is what the norms say; the practice is analysed in Chapter 5.

The specific normative for the allocation process gives some general guidelines, leaving much room for doubt about how to implement RBB. On the one hand, it seems that allocating the budget in a BP automatically implies the link of the budget with RBB. This is because there is an understanding that a BP design has already been reviewed to be evidence-based; however, it may happen that money that is not related to the BP leaks into. For instance, once I found that a BP's activity oriented to generate performance information was being used to finance events of a completely different topic.

Or it could also happen that despite the correctly allocated money, the intervention is being ineffective. After all, evidence can tell you that certain intervention is effective. Still, other issues affect effectiveness, such as the management of the project or if the characteristics of the target population change. Indeed, the normative says that the analysis of the fulfilment of goals linked to performance indicators and the results of evaluations should be considered for the allocation process. Nevertheless, that is all it says, which generates a big unknown, especially in the case of how to read the results of performance indicators.

The specific normative for the monitoring regulates mainly how this process has to be implemented more than how to use its results. Again, it says that the information generated as outputs must provide feedback on the allocation process but remains in the declarative. It should be noted that a new Directive was approved in April 2022, when more detail was made to the process regarding the generation of alerts and more prioritised reports, but due to its recent approval, its implications cannot yet be fully known.

A different case could be the evaluation normative. It mentions that based on the recommendations made by the evaluation, a commitment matrix for improvement has to be made in topics such as effectiveness, efficiency and quality of the intervention. This matrix is signed by both ministers, MEF and sector, enforcing the accomplishments of improvements. So, the matrix is incorporated as an input to the budgeting allocation process. It is also noteworthy that, as a practice, if a sector does not accomplish its commitments, it can be used as a counterargument by MEF for not approving additional budgetary demands.

Therefore, according to the normative, there seems to be a gap between the declaration of the importance of the implementation of RBB and how it should be actually implemented. Also, it can be found that the use of performance information is unequal. Up to this point, evaluations seem to have a stronger link to the allocation process than performance indicators. This is because it has an instrument (the commitment matrix) that, on a technical level, summarises the recommendations into practical actions, and, on a political level, it engages high-level authorities in the process outcomes. On the contrary, this is not the case with performance indicators, which are high in number and not systematised in any report showing information beyond the numbers obtained.

4.3. Case study: Health sector

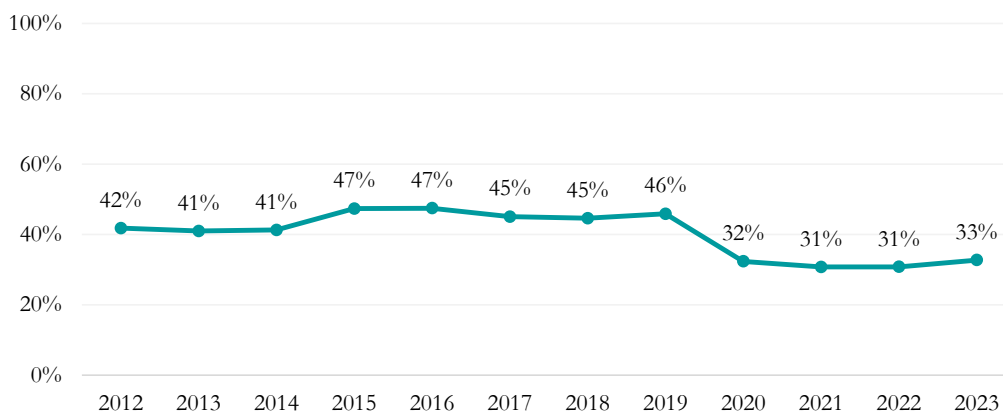
The health sector is a relevant case study because of many reasons. It was the first sector to migrate to RBB and approve the first BPs (initially called ‘strategic programmes’). Furthermore, it manages a high number of BPs. In 2022, it was responsible for nine BPs and participated in three more, being the sector in charge and participating in more BPs compared to others. The list is the following:

- BPs in charge of MoH:
 - BP 0001: Articulated nutritional programme.
 - BP 0002: Maternal-neonatal health.
 - BP 00016: TBC-HIV/AIDS.
 - BP 00017: Metaxenic diseases and zoonoses.
 - BP 00018: Non-communicable diseases.
 - BP 00024: Cancer prevention and control.
 - BP 0104: Reduction of mortality due to medical emergencies.
 - BP 0129: Prevention and management of secondary health conditions in people with disabilities.
 - BP 0131: Control and prevention in mental health.
- BPs with the participation of MoH:
 - BP 0068: Vulnerability reduction and emergency care for disasters.
 - BP 0137: Development of science, technology, and innovation.
 - BP 1001: Specific products for early child development.
 - BP 1002: Specific products for reducing violence against women.

Regarding the budget in BPs, until 2019, the proportion was similar to the global average, 46% in health vs 54% in general. However, in 2020, it drastically dropped 14 points. As mentioned, this was mainly because of the pandemic, when resources to tackle it were allocated outside the BPs. Even so, it is striking that this number has not recovered to its previous levels.

Graphic 3.

Proportion of the budget in health that is in BPs, 2012-2023



Source: Author’s elaboration based on the data of Consulta Amigable MEF (Accessed: 17 September 2023).

Note: There is no information available before 2012.

This sector also has a great number of available information produced within the RBB strategy led by MEF in cooperation with the sectors. It has 162 performance indicators (results and product level) and 20 evaluations made between 2008 and 2023. It should be noted that the number of indicators is the biggest by far compared to other sectors (the next one is education with 83).

Chapter 5

Results: Definition and use of performance criteria in budgeting allocation in Peru

This chapter presents the main analysis of the Research Paper based on the results of the fieldwork and other complementary inputs. First, it reflects what performance information means for civil servants during the budget allocation; second, how it is used; and third, the problems identified around it.

5.1. About the definition of performance criteria

As mentioned in Chapters 3 and 4, both in the literature and the Peruvian case, performance criteria are mainly associated with the information given by the performance indicators and evaluations. According to the interviews, the abovementioned were also present in the civil servants' minds; they all somehow mentioned them. However, during the interviews, two questions appeared: Are there more types of performance criteria? And are performance criteria always objective, rational, and methodologically based?

Regarding the first question, information at the inputs or more operational level was mentioned, such as budgeting expenditure and physical goals. Not only were they cited as the first information accessed, but also as ideal information for decision-making. This could be counterintuitive regarding PBB principles, which focus more on the levels of products or results (outputs and outcomes). However, budgeting expenditure also gives civil servants clues about the capacity of the agency or area to accomplish their plans, and often, this is the only information available. Furthermore, the lack of basic data, such as the number of staff, services, users, and the physical goals of the activities, makes it difficult to give usability to performance information. For instance, if the rate of anaemia is increasing, how does it translate to budget decisions if we do not know how many children are suffering from this disease or how many staff members are available to apply the iron supplements?

Another performance criterion mentioned was the quality of planning of the agencies. This was not said directly but, during the interviews, civil servants highlighted the importance of having information about how the agency or area plans to tackle the problem they aim to solve. A valuable input is formal documents like national plans or policies. Nevertheless, presenting further information about how the agency or area will implement those plans and policies the following year could still be necessary, usually through meetings and additional documentation. The abovementioned shows that performance criteria are not only about past performance but also about future expected performance.

Regarding the second question, subjective and interpersonal information was well-valued as a complement to performance information. There is a need to give context to numbers. Furthermore, decision-making is not straightforward; it needs meetings between civil servants to discuss, reflect, and debate ideas and interpretations. It is also worth mentioning that most of the information shared during the budgetary process is not written or systematised anywhere; furthermore, it is helpful to have spaces that allow bidirectional discussion, follow-up questions, and working relationship building.

Thus, in practice, performance criteria are defined beyond performance indicators and evaluations. On the one hand, limited access to information makes it difficult to have the big picture of the situation; performance information needs to be coupled with more input-level

information, too. On the other hand, performance information is not in a vacuum and needs to be shared and confronted in social spaces; in other words, it has to be linked to the political part of the work, that is, the spaces of conflict and cooperation and influence and persuasion.

The detail of the abovementioned analysis is described in the following sub-sections.

5.1.1. Are there more types of performance criteria?

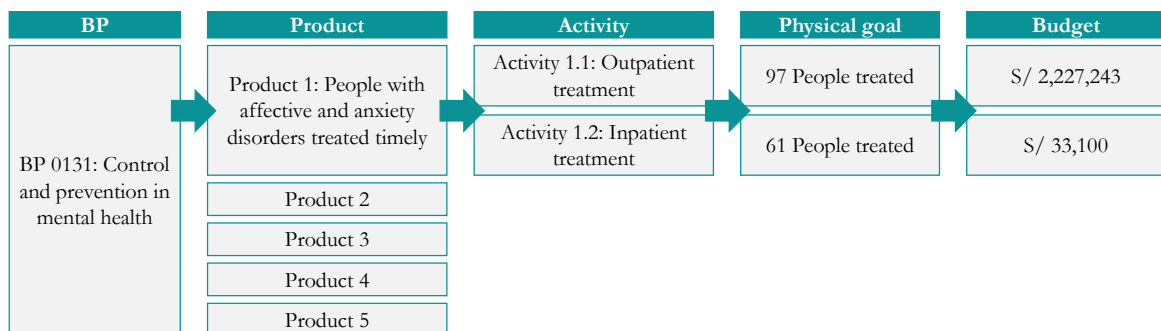
During the interviews, public servants mentioned other types of information available: budget execution and physical goals. However, there is no consensus about considering it as performance information. Despite that, analysing them to understand the budgeting practice is valuable.

A frequently mentioned was the historical budget execution. Not all interviewees perceived it as performance information; some did, but all said this is the first available information for decision-making. Moreover, in many cases, it is the only available. Among arguments to consider it as performance information is because it gives a sign of the entity's capabilities; if there is low execution, then there is low performance. On the contrary, among the arguments for not considering it as performance information is that it does not necessarily reflect if the money expended is achieving the goals.

It is worth mentioning that two main characteristics make budget execution so used. First, because of its availability. The information is updated daily and accessible on the web. Also, MEF has databases shared internally that can be analysed with Excel or more advanced statistic programs. Second, the information is very detailed. For instance, you can check by agency and their executing units, programmes, and activities. Furthermore, you can check by different generic expenses (goods and services, human resources, acquisitions, etc.) and their disaggregation up to four sub-levels.

Another type of information mentioned was physical goals. It represents how well the institution achieved its goal at the level of product or activity. For example, one activity of the BP 0131 'Control and prevention in mental health' is 'Outpatient treatment'. Here, the physical goal is measured in terms of people treated. So, the physical goal will depend on how many people are planned to attend each year, for instance, 97 people in 2023. In the following Figure, there is a graphical example:

Figure 2
Example of physical goals and budget



Source: Author's elaboration based on Consulta Amigable MEF (Accessed: 17 September 2023).

Note: Example taken from the National Institute of Mental Health programming 2023.

Physical goal indicators should not be confused with performance indicators (as defined by MEF). For instance, in the previous example, the physical goal indicator of the product 'People with affective and anxiety disorders treated timely' is how many people were treated; whereas the performance indicator is 'Percentage of people detected with affective and

anxiety disorders who receive diagnosis and treatment’, measured in general terms in all the population.

Unlike budget execution, the information regarding the physical goals is not very reliable because it is well-known that entities do not register it properly (Interview ID 2). So, this information is very little used. Calling back to the previous example, which is a real one, it is hard to imagine that the institution only planned to attend 97 outpatient treatments and 61 inpatient treatments in an entire year; furthermore, that the unitary cost of having outpatients is 42 times more expensive than inpatients (S/ 22,961 vs S/ 543⁷).

Nevertheless, from a theoretical point of view, this information is crucial because it permits knowing the unitary cost of each activity and allocating money according to the goal defined. Also, to differentiate the fulfilment of goals of each entity individually (for example, each hospital) because, on the contrary, performance indicators are measured mostly with a national or regional sample. In this line, when asked about the ideal information that the interviewees would like, many of them, both from MEF and MoH, related in one way or another to this kind of information (Interviews IDs 1, 2, 3, 5, 8, 10). For example, “*[Ideally, I would like] the cost information almost per user, let's say independently in a well-disaggregated way, and we could have an approximation of how many users we wanted to serve that year based on the target population*” (Interview ID 1) and “*Ideally [...] each indicator must be associated with a product that in turn must be associated when executing the budget [...] and linked to a physic goal?*” (Interview ID 5). Also, one interviewee mentioned that performance indicators were useless for management reasons, preferring unitary costs to know how to allocate a budget (Interview ID 3).

For example, one exception is the intervention against anaemia regarding home visits, which have a clear unitary cost analysis. It is clear how the intervention works: a person does a certain number of home visits to a certain number of children during a certain number of months. So, if the target population is known (physical goal), it is more straightforward to calculate how much budget is needed to implement the intervention. Also, there is a performance indicator directly related: Prevalence of anaemia in children. However, this case is exceptional.

The abovementioned is also related to the planning capacity of the agencies or area, which reveals a criterion based on expected performance. This goes in line with what Shick (2003) says, “a performance budget is any budget that represents information on what agencies have done or expect to do with the money provided to them” (p. 201). This aspect was not mentioned directly but was still present in many interviews, for example, “*They have a good basis [for the intervention] [because] they have a plan*” (Interview ID 2) or “*Therefore, in order to allocate the budget, it has previously been necessary to plan the management of the BPs*” (Interview ID 7). So, planning capacity shows how the agency or area will use the budget assigned. As I heard many times in MEF, no budget will be allocated until the agency clearly exposes what they want to do with the money, which means the definition of activities and the expected outputs. Due to the enormous budget size, this cannot be applied to all, so it was usually done during the request for additional demands (which is explained in section 5.2.)

5.1.2. Are performance criteria always objective, rational, and methodologically based?

As mentioned before, performance information is usually related to measurements, data, evidence, etc., in other words, to rational methods to gather the information. However, during the interviews, there was a recognition of another information source usually taken for granted: meetings. It is an integral aspect of civil servant work because of the complexity

of the processes, involving multiple areas, and requiring collaboration among numerous individuals to reach an agreement in the end. This relates to Freeman (2019), who proposes that the policy process has micro-level political practices such as gatherings, encounters, and meetings.

So, there is recognition to have information that gives context to the more objective, scientific, rational information. As one interviewee mentioned, who better than the implementer to explain how the strategy works and the main problems and risks that could affect its performance (Interview ID 5). Also, there is a political part of it, as one interviewee mentioned, *“It is [about] being clear about the policy, where do you have to go? It implies meetings, hours to convince, time to agree because if not, people will not agree [and work for the same objective]”* (Interview ID 3).

It is worth noting that, in 2022, MEF implemented ‘performance tables’. A space where the sectors and MEF discussed prioritised topics related to low results in performance indicators and the planning of some interventions. According to the interviewees, this was a positive experience; for example, *“I believe that these tables are necessary; they are useful because they allow you to see the perspective of the analysis being conducted on the sector's achievement of its goals”* (Interview ID 4) or *“For me, these types of spaces, like performance tables, should serve as a diagnosis, indicating what is working and what is not working in the implementation”* (Interview ID 1) and *“I found it very useful because it allows you to listen to them and observe the strategy they followed in executing the budget, something we might miss in our daily work”* (Interview ID 8). Personally, it allowed me to understand simple situations, such as a wrong registration of indicators in the system; and more complex ones, such as reasons for low budgeting execution that are not written in any document.

However, what to do with all this information? The next steps were not clear. On the one hand, the information gathered helped reinforce or challenge preconceptions about specific interventions, influencing the decision to prioritise them (or not) during the budget distribution. This exercise rests entirely on the judgment of the civil servant. On the other hand, commitments to improvement were generated. Nevertheless, these commitments were not monitored over time and were forgotten. Also, the people who promoted this space changed due to staff turnover. In 2023, the ‘performance tables’ were no longer implemented.

Another point to mention separately is the negative impact of the pandemic on these interpersonal communications. The pandemic started in 2020, but at least until 2022, when I was working there, we were still working remotely most of the time because Peru was still dealing with the virus and its negative consequences. So, many meetings were online. As one interviewee mentioned, *“Virtual work has meant that we do not know each other in person, and there are no face-to-face meetings where we sit down to reflect and build a joint analysis and comments to be able to strengthen the interventions”* (Interview ID 7). We should consider that remote work in the public sector was imposed by the pandemic, not planned; so, people were not prepared or oriented about how to deal with it to keep healthy working relationships. Also, not everyone had good internet connections or adequate equipment at their homes.

5.2. About the use of performance information during the allocation process

The next question is to understand the circumstances under which performance information is used and the motives for using it. It should be noted that, for the analysis, I will also

consider the other types of information discussed in sub-section 5.1.1. (budget execution and physical goals), if applicable. MEF's norms encourage the application of RBB along the budgetary process for feedback decision-making. However, as seen in Chapter 4, how to implement this is explained in general terms, leaving a wide margin of manoeuvre for public servants.

According to the interviews, the use of this kind of information responds to different moments and motivations. During the first stages of the allocation process, there is more weight in the historical budget and its expenditure. In the next stages, negotiations and debates intensify, so other types of information, such as indicators and evaluations, will be used to give more weight to the arguments. Moreover, the planning capacity of the agencies or areas will be used as an argument.

Nonetheless, the direct effect of performance on the budget is not straightforward: Poor results could mean an increase, decrease, or maintenance of the budget. If the result is poor, should we give the intervention more budget to close the gap? Or should we give less budget because the current one is not being effective? Either of the options seems logical and could happen. In the other case, if the results are good, should we give the intervention more money to keep working? Or should we give less budget because the gap is not so big anymore and there are other necessities to attend? Again, both options are plausible.

How it is used will depend on who uses it. For example, the role of MEF and MoH differs; one will tend to reduce the budget while the other will tend to increase it. So, the same piece of information can be read from different perspectives. Continuing with the previous example, a poor result could mean that the agency is not using its budget effectively, but it can also be read as the agency needs more budget to reinforce its services. Thus, performance information needs to be coupled with other types of information, as seen in section 5.1.

The abovementioned analysis is detailed below. First, we must go deeper in the allocation process, which has the following stages:

- i. *Calculation of the budget available for next year:* MEF calculates how much money will be for the next three years according to the macroeconomic analysis and forecasts. The amount calculated for the following year (year 1) is taken as the basis for the allocation and for the following two years (years 2 and 3) as a reference.
- ii. *Distribution of budget maximums to each sector:* MEF distributes an amount of money to each sector according mainly to the historical budget and its execution. More money can be considered depending on different factors, for example, if there is any new topic on the political agenda.
- iii. *Disaggregation of budget maximums:* MEF communicates the budget maximums to the sectors. Each sector must disaggregate this amount between their interventions and the generic expenses.
- iv. *Revision and validation of disaggregation:* MEF and the sectors have meetings to review the budget disaggregation. These discussions lead to adjustments that depend on MEF recommendations/solicitudes and the sector's arguments.
- v. *Request and analysis of additional demands:* The budget maximum is hardly enough to cover all the sector's needs. So, there is a space where the sector can argue and request more money from MEF. MEF will analyse these solicitudes and approve the ones it deems relevant.
- vi. *Negotiation and validation of final budget (at the executive branch level):* The final budget (considering the maximum amount first given plus the additional demands) is

validated by the high-level authorities, including Ministers from MEF and the sectors. Even up to this point, the numbers can continue to vary.

According to the people interviewed, the performance information is more used during the ii, iii, iv and v stages. In stage ii, the maximum amounts are quite fixed and related to the historical budget and its execution. For example, if the budget assigned to the MoH is X every year, the following year will be a number near X. Also, if the yearly budget is X, but the execution is only 50% repeatedly, the following year, the budget assigned will be near half of X because there is an assumption that the entity does not need that X amount of money or is incapable of managing it.

In stage iii, the sector disaggregates the maximum budget assigned. The work is done between the Office of Planning and Budget and the operational areas. Here, the logic is very similar to stage ii, in terms of using the historical budget and its execution. Also, some calibrations are carried out according to the goal that the interventions set, in terms of expanding or improving their services or reaching more population, which are factors that affect the physical goals. However, the minister's agenda is one important input (if not the most important) that affects the distribution. The level of influence can depend on many factors: time in the position, time of the year when they started working (if the minister started when the allocation ends, it would be very difficult to make changes), the influence among the other ministers, closeness to the president, etc. These aspects become more relevant considering the high turnover explained in section 5.3.

In stage iv, MEF reviews the disaggregation made by the sector. Here, MEF examines unusual big changes in the budget distribution. This also means looking for historical budget expenditures but at a more specific level (BPs' products and activities and generic expenses sub-categories). If there is any significant difference, the sector presents its arguments and MEF evaluates them. It can be said that this stage is more related to ensuring that regular and critical expenses are covered enough because it is well-known that the discussion will continue in stage v.

In stage v, the sector prepares a list of needs to request more money from MEF. According to some interviewees, there is a broader space to use performance criteria here. It can be said that, during additional demands, both parties prepare their best information to gain the argument. Mainly in the case of the sector to increase the final budget and in the case of MEF to maintain it. One quote that exemplifies the use of performance information to 'gain' more funding is the following one: *"In the case, for example, of early childhood, where there are indicators of anaemia vaccination, the information will be used there; for example, there was an indicator that the vaccination was decreasing since the COVID-19 began and that indicator has been taken as an accurate source to approve a [additional] demand for a vaccination sweep; so, yes there is room [for using indicators]"* (Interview ID 2).

Regarding the performance indicators and evaluations, the last ones are the most accepted, especially the second ones, because of their robust methodology and the 'commitments matrix' that links recommendations with actions (as explained in section 4.2). Regarding the performance indicators, the scenario is more diverse. As I will explain in section 5.3, there are more reasons to understand why it is not used. Nevertheless, according to the interviews, in most cases, there is a genuine effort to use this information regardless of the limitations.

The role of each sector, MEF and sector, also shapes how information is used. MEF's role is to safeguard the use of public resources and considering that resources are limited (in addition to the fact that the Peruvian economy is no longer growing as in previous years), the natural answer seems to use performance information to strengthen arguments in favour

of budget reduction. For example, one person said, *“I think that in most cases it has never been tried to use performance to increase budget; normally the chip has always been to use performance to reduce the budget; in other words, you have a bad performance, so I have a reason to lower it”* (Interview ID 10). On the other hand, RBB was first adopted by the sectors with the expectation of increasing their budget; that’s why many BPs were created, and some did not have quality standards (SGP, 2022). Then, during the implementation, RBB became an instrument to at least maintain the budget without drastic reduction, no matter the performance obtained, because at least they have performance indicators designed. So, year after year, they will probably receive the similar budget, which could also be read as an inertial budget. Nevertheless, more proactive sectors will present their indicators, especially if the results are low, as proof of requiring more budget to close the gaps. This situation could show that there is no clear strategy for reading information.

5.3. About the problems related to performance information

There is a general understanding that performance information can be useful, both in the literature and in the practice (through the interviews applied); however, some problems were identified. For the identification of these, it was taken into account the analysis of literature made in Chapter 3, where scholars identified problems in the conception and use of performance criteria in the budgetary system, such as the incompleteness of the rules to regulate everything (Wagenaar, 2004; Bleyen et al., 2017), the complexity of public policies (Hawke, 2021), characteristics of information in terms of relevancy and timely, and the motivation and capacities of decision-makers (Bleyen et al., 2017; Mauro, Cinquini, and Grossi, 2017). Also, how political considerations intervene during the process was considered (Wildavsky, 1961; Podger et al., 2018; Löfgren, and Bickerton, 2021; Niu, 2018).

So, the following sub-sections explain the problems identified. As expected, there were problems related to the quality of information, the clarity in the process of how and for what to use the information, and the complexity of public policies, especially in the health sector. Other factors associated with the civil servant were also identified, such as his or her capacities and available time to apply performance criteria and how much support was felt from the superiors. This also leads to a point of the purpose of using performance criteria during the allocation process.

It is worth mentioning that two aspects were mentioned in a cross-cutting manner: The high turnover of the staff and the political aspects. Both were referenced as negative aspects. Regarding the turnover, it should be noted that Peru’s current social and political crisis is affecting the turnover rate of ministers and high-level authorities. To illustrate this situation, it's worth noting that during 2022, there were five ministers of MoH and four of MEF. This situation had repercussions within the ministries; for instance, both deputy ministers of MoH experienced changes, with four and five different authorities, respectively, and the department responsible for the budget underwent two changes. Similarly, MEF saw four different deputy ministers of finance and three different directors in charge of the budget allocation process. This situation also led to changes in the technical teams; seven of the ten interviewees are no longer in their initial positions. These changes exacerbate the problems mentioned in the previous paragraphs, especially given the challenges of low knowledge management and constant shifts in priorities.

Regarding the political aspects, interviewees interpreted it as the personal interests of politicians (president, congresspeople, regional governors, etc.) or high-level authorities (ministers). They perceived it as the extreme opposite of performance budgeting. It was not

related to any democratic or civil representative output. This conception is very related to what supported RBB in the first place, avoiding clientelism and non-transparent practices.

Although I too have perceived this, I also believe that political interests can intervene positively in the budget allocation, allowing public servants to face problems from the perspective of the citizenry. For instance, we were once called to a meeting with the MoH because an association of people with a particular disease put pressure on the MoH. The BP associated with that disease had 40% less funding than the previous year, which was unsustainable. This pressure from civil society and the support of the minister and deputy minister from both MoH and MEF, allowed civil servants to attend an existing necessity that would otherwise have gone unnoticed. However, this issue was later forgotten in the political arena due to the change of high authorities in both ministries.

The detail of the abovementioned analysis is described in the following sub-sections.

5.3.1. Existence, reliability, and timely

In 2022, there were around 850 active performance indicators and 79 evaluations. Within this, there were around 160 performance indicators and 20 evaluations only for the health sector. Also, if we refer to physical goals, almost 200 physical indicators can be measured for the health's BPs. It should be noted that the sector can have more information generated and used internally. That information can also be an input for the budgeting allocation process; however, the focus is on the indicators and evaluations made within the RBB strategy led by MEF, which is methodologically reviewed and agreed upon by the parties involved.

As mentioned, the amount of information is not small. Nevertheless, in the case of performance indicators, the interviewees mentioned that they would prefer more detail. This claim was more related to BPs in general because 64% of the performance indicators are only measured at the national level. If we look at the health sector, 96% of its indicators can be measured at a national and regional level. The problem in the health sector is the availability of more input-level information, as seen in section 5.1.

The health sector relies considerably on the national surveys to collect the data. These are collected yearly. Nonetheless, the problem with the national surveys is the timely results delivery. Around one-third of the indicators are collected by two national surveys led by the National Institute of Statistics (The Demographic and Family Health Survey and the National Survey of BPs). Indeed, those are robust instruments, but due to the size and complexity of the survey, it takes time to collect and process the data. So, many of these indicators are not available during the months when the budgeting allocation is made. However, according to the interviews, MEF and the National Institute of Statistics have an agreement to have preliminary results earlier as a form to deal with the problem of time.

Another third of the indicators have the Hospital Information System (HIS) as a source, which allows patient monitoring from the moment they enter a health facility until discharge. The problem with HIS is that it is not fully implemented in every health service and for all types of diseases, so the representativity of the information is affected. As one study from the World Bank (2016) mentions: "The design of HIS has not been modernized and, therefore, parallel information systems have been created[...] a situation has reached where healthcare personnel prioritize capturing information [...] depending on the patient's [health service] affiliation or the incentives they receive. The duplication of systems is a great source of inefficiency; it generates information that is neither reliable nor representative" (p. 10).

Part of the rest of the indicators are administrative information sources that differ in type and quality. Some of them are registered in information systems and others could be self-reported by the institution. This information also has problems being delivered timely, due to the amount of information that must be systematised nationwide.

Everything mentioned above is reflected in the following statements. For example, regarding the timely information: *“[The time in which we have the indicators and the budget process] doesn’t match; it’s very diverse, for example, if they are indicators that come from the National Institute of Statistics, an effort can be made to be able to have even preliminary information [...] However, when we talk about administrative information sources, they correspond to approximately 80% of the indicators, so it will depend greatly on each sector. For example, in the case of MoH, it is impossible [to have information earlier]. [It is] impossible for them to fit [the budget schedule] because they have the final data for the previous year in June. There is obviously a lot of processing and also a lot of interests involved”* (Interview ID 5).

Another example of the frequency of the information is the following: *“I don’t necessarily think the indicators are poorly designed [...] I think that BPs help us clarify the theory of change and the evidence that allows us to have results. However, information is not collected with the frequency or quality needed to have that information to plan and make decisions”* (Interview ID 10). Here, the person refers to the fact that the internal report made by MEF about the performance indicators is made once per year, which is insufficient. There is an initiative from MEF to do it more frequently, but it is still being implemented to make it feasible.

During the interviews, a question about ideal information was asked. The answers were very relatable to the points explained in subsection 5.1.1. They mainly mentioned more specific and practical information for managerial decisions. For example, *“[Ideally, I would like] the cost information almost per user, let’s say independently in a well-disaggregated way, and we could have an approximation of how many users we wanted to serve that year based on the target population”* (Interview ID 1), also other person mentioned, *“I think it would also be very, very useful, like the gap or the demand for public services”* (Interview ID 8).

Another very important point is related to HIS, since this system will collect every user’s information and help understand the attention gap. Someone mentioned, *“The first information that needs to be built is the electronic medical record. Because that is the link with the citizen. To start from the citizen backwards, you need the electronic medical record [...] And with that, I could know what the pathologies are, know how many times you go, do you know who treated him? Do you know what prescription they gave you? In other words, you can have a lot of information to work with”* (Interview ID 3).

Too detailed information could indeed be too excessive for elaborating a national budget. However, it might reveal two main points: First, civil servants are interested in accessing information. Second, despite the important number of performance indicators and evaluations, the information perceived by the civil servants is not enough or relevant for their daily jobs. This last point could be caused by the disconnection between the offer and the information demand.

Finally, in the case of evaluations, this is highly valuable for public servants. However, not every BP or intervention has an evaluation because it is expensive: They are costly in resources since independent evaluators are hired, mostly require fieldwork, and there is a process of validating the results. There are still valid recommendations after some years of finishing the evaluation, but others are no longer pertinent because the interventions change over time.

5.3.2. Clearness in the process

Specific norms regulate monitoring and evaluation; however, there is not the same case for how to use it, especially in the case of performance indicators. On the one hand, the norms give the flexibility to public servants to carry out the specifics of the budgeting process. However, on the other hand, since these specifics are not written anywhere, public servants have great discretion in deciding how to carry the process. For example, one person mentioned, *“It depends a lot on the specialist in the sector seen to be able to use that evidence because it may exist and the specialist does not use it”* (Interview ID 6). This situation can be counterproductive if there is no institutionality and high staff turnover rates.

This last point mainly affected the interviewees with two or fewer years of experience in MEF. For example, *“[about the budgetary process] I felt it, personally, very messy. I mean, I don’t know how it has changed over the years, but I saw this dynamic of how tasks were divided within the directorates to make the budget estimation process that made it very compartmentalized [...] And I think that made the whole process difficult in general because the steps were not 100% clear before taking them”* (Interview ID 1) or *“I didn’t have much idea of what the stages were clearly, that is, because we didn’t participate [in all the stages]”* (Interview ID 2), and *“it is not clear [the processes for using performance information during the budgetary process]”* (Interview ID 5). Also, people in MoH mentioned that *“first you need to clarify who is going to do what, who is responsible for what and when they are responsible”* (Interview ID 3).

Personally, I also felt the allocation process was messy. For example, I remember that for the evaluation of additional demands in health, there was no methodology to evaluate them, taking into consideration performance information. So, the team created a methodology and developed an instrument to help decision-making. However, later, it was said that no additional demands for BPs would be approved, but then they changed the decision again and demanded more information. This kind of constant changes of last-minute decisions was usual.

So, it seems to be a disorder in the processes caused by three main factors: First, the formal processes are not very detailed. This aspect is not necessarily a negative per se because there should be an equilibrium between what is regulated and the freedom of civil servants to do their jobs according to their experience and expertise. However, this first point is undermined by a second and third factor, the high turnover of workers and the low systematization of the work or knowledge management. These aspects do not allow civil servants to build their own methods and processes since, in a short time, somebody new will occupy that position and start everything again. It is worth mentioning that many of the interviewees made criticisms about the people who worked before them and proposed changes. Beyond whether they were right or not, it demonstrates the weak institutionality of the processes when people rotate positions frequently.

This kind of situation could lead to extreme situations like the one that I personally experienced: I started working without any shared document by the previous workers and invested a great part of my time asking different people (and receiving different answers) about how to do tasks that are regularly done in MEF but are not written anywhere.

5.3.3. Complexity

There are different layers of complexity. On the one hand, the information is complex, especially related to national surveys or HIS, since the databases are extensive and require certain expertise in data analysis to obtain the information needed. It is true that the results of the indicators are systematized during the allocation process to be used, and a team with

statistical abilities can analyse the data. Still, it is not as easy to use as, for instance, the budget expenditure. Also, there is a web called RESULTA with all the performance indicators and their values, but, at least during 2022, the information was outdated.

On the other hand, the health sector per se is complex to understand. Here, the state does not give a limited set of services but a broad number of services depending on the different kinds of diseases and characteristics of the population. In this regard, one person mentioned the following: “[Health sector] has greater complexity in cost estimation [...] because it has a very high amount of inputs, and these are very difficult to associate with citizens directly. So, how do you make that distribution and estimate how much you need? How much it costs you? how many patients or potential patients you are going to serve?” (Interview ID 1).

Furthermore, these specific characteristics of how the health sector works must be translated into the budget allocation requirements. MoH has to disaggregate the budget into the generic expenses and sub-levels. As one person said, this process is “*extremely fine*” due to all the detail it involves (Interview ID 4). Moreover, this explains why civil servants also require such detailed information during the allocation process.

5.3.4. Time and capability of the worker

Because of the previously mentioned problems, using performance information requires time to find, process, or/and analyse it. Also, it requires energy to convince others of the positive aspects of it. These valuable resources are particularly limited among civil servants, especially during the budget allocation process when the workload increases considerably.

For example, one person said about the workload during the budgeting allocation process, “*It affects your personal plans. If one day you had planned a dinner at 8pm, that is, being a super prudent hour; still you may not arrive. We do not make plans from Monday to Friday because you don’t know what will happen. Or, for example, like yesterday, it was Saturday and there were people [working] all day*” (Interview ID 2). Another person said, “*The colleagues from the budget offices, those days [during the registration of the budget in the system] work practically all night long to be able to finish their duty*” (Interview ID 7). Personally, I also felt those months very intensively, having to work until too late, during weekends, and holidays.

So, this work intensity also affects how civil servants do their work. Public workers are seen or are highly expected to be rational decision-makers. Still, the reality is that they are also affected by variables that undermine more analytical thinking and can lead to biases and heuristics such as decision fatigue.

5.3.5. Support to use it

There is a general feeling among the interviewees about the positive use of performance information. However, there is also a general sensation that the higher spheres or the rest of the teams do not support their use. For example, MEF’s civil servants mentioned, “*In general, I did not feel that it was given much priority [...] The general feeling from the ministry was that this information was not useful*” (Interview ID 1), and “*I think it depends a lot on the style of each general director and each vice minister, right? And how well are they trained and convinced of the importance of incorporating results into their management? Have a more results-oriented management approach, right? I think there are still gaps in the capabilities and public servants around incorporating this, let’s say, this concept into their issue*” (Interview ID 10).

Also, due to the staff turnover, the support given by superiors varied depending on the new person in charge. Most interviewees mentioned that they felt differences at every change

of boss; some could be more political and others more technical. Furthermore, the agenda of every boss is different, so the support to work on a more specific analysis in one topic or another can also differ.

5.3.6. Purpose for using it

Another essential element mentioned by all the interviewees was the purpose for using it. Using performance information requires using time and capabilities to introduce it during the budgeting process. So, is it worth it? According to the interviewees, in many cases, not so much.

One major point is its real influence on the final decisions. To try to measure the perception of usefulness, I applied a structured question to answer, on a scale of 1 to 10, where 1 is low and 10 is high, how much they felt performance information influenced the allocation process. On average, civil servants from MEF answer 3.2, and MoH 4. So, in both cases, the answers were less than half.

For example, MEF public servants mentioned, *“I think that it does have a large participation in the initial stage, but as the process progresses, that decreases”* (Interview ID 1). MoH public servants mentioned, *“All those indicators, all those things, they have been thought about eight months, nine months ago. So, you have to have some level of flexibility to rethink things once you’ve already entered the field”* (Interview ID 3). This last answer shows the limitation of the budgeting allocation process in terms of time because the indicators and goals are reviewed and established during the previous year and many things can happen in between; especially in the context of the pandemic and different natural disasters that changed the general picture, added the political crisis and the constant change of Ministers too. So, the last years have been highly changeable.

Another aspect that influences the final decision is the political factor. Here, I also applied the same type of structured question. As a result, both MEF and MoH, answered 7.75 to 8 to the influence of political factors in the budgetary process. MEF mentioned that it *“is based a lot on the political priorities [...] that is why precisely in these working tables between ministers and vice ministers, is where is finally determined how the budget will look from the executive branch [...] additional demands respond precisely to political interests [...] even worse is when the executive branch sent [the budget project] in November [to the Congress], greater resources are assigned that do not respond to technical criteria either, but rather it is clearly and 100% political”* (Interview ID 4).

It should be highlighted that there is also a feeling of more political incidence in the last years compared with previous ones, according to the interviewees, especially the ones with more years of experience in the State. This is very related to the constant change of ministers and other high-level authorities. So, the political agenda changed many times, and there was more pressure to show achievements, especially in a highly sensitive sector such as health, where you cannot just reduce the budget to interventions without social costs.

Other aspects mentioned that reduce the purpose of using performance information were the inertial allocation of the budget, and the unpredictability of sanitary emergencies (for example, COVID-19, Dengue, floods, etc.). These events cause the modification of the planned budget to attend these emergencies. So, whatever was planned one year before could be highly affected.

Conclusions

This Research Paper started by reflecting on the disconnection between the state's actions and the people's needs in the case of Peru. To explore it, I chose to analyse what happens during the budgetary process, which is formally designed to link resources to measurable results using performance criteria in favour of the population. In that sense, the main research question was: How do performance criteria influence civil servants' practice during the budget allocation process in the Peruvian state? To do this, the study focused on the case of the health sector, and used a qualitative approach through my personal experience, interviews with civil servants, and literature and document review.

To answer this question, I first analysed what the definition of performance criteria is. Most prescriptive documents and MEF define it as performance indicators and evaluations. The civil servants also internalise this; however, in practice, it is not only those two instruments. According to the interviews, they need more input-level information, such as the number of staff, services, and users on a disaggregated level, which is especially missing in the studied case. Budgeting expenditure was also valued due to its accessibility and sometimes because it is the only information available. Another aspect is that it is not only about past performance (results in indicators or evaluations) but also about future expected performance. Scholars also define a broader concept of performance information. For instance, evidence of their planning capacity can be demonstrated through plans, policies, and meetings, where it becomes clear how the agency or area will utilize resources and what outcomes are expected. Moreover, there is a recognition of the importance of meetings and other spaces of interpersonal communication where civil servants can discuss, reflect, and debate ideas and interpretations.

These aspects could seem counterintuitive regarding PBB principles, which focus more on the levels of products or results (outputs and outcomes) and more rational thinking. However, there is a need for other information to complete the big picture of the policy or intervention being analysed; performance information needs to be complemented, confronted and contrasted.

Second, I analysed the circumstances under which performance information is used and the motives for using it. As a result, I found that using this kind of information responds to different moments and motivations. Since the early phases are based on a fixed budget, it is later, when additional demands are discussed, that the information is used to support arguments. However, there is no straightforward link between performance and resource allocation: Poor results could mean an increase, decrease, or maintenance of the budget. How it is used will depend on who uses it. On the one hand, MEF will tend to maintain or reduce the budget, while the sector will tend to increase it. The same piece of information could be read in different ways (a poor performance could mean that the sector is doing its job well or that it needs more budget to attend the gap).

Thus, RBB's motivations are not very clear, as well as its processes. Nevertheless, a better case is the evaluations. Since they have a commitment matrix that translates recommendations into practical actions and involves high-level authorities, their introduction to the budget allocation process is easier. However, the number of evaluations is very limited. Therefore, there is a need to rethink how information is being presented and what the incentives for use aim for.

Third, I identified the barriers to using performance information. As mentioned by the literature, in the case study, there were also problems related to the existence, reliability and timely of information, the clarity in the process of how and for what to use the information, and the complexity of the health sector. Intrinsic aspects related to civil servants were also identified, such as their capacities to understand information, the time available to apply it, and the feeling of support by their superiors. All these barriers, intensified by the topics mentioned in the two following paragraphs, negatively affect the sense of purpose in using performance criteria.

Two aspects were mentioned negatively and cross-cuttingly: The high staff turnover and the political aspects. Regarding turnover, Peru's current social and political crisis is affecting the turnover rate of ministers and high-level authorities; for example, five different ministers of MoH and four of MEF in 2022. These changes also affected the technical teams within the ministries. This situation affected the priorities that had to be attended and the capacity of the agencies to generate knowledge management and institutionalize processes.

Regarding politics, it was mentioned by the interviewees as the main factor that influences the allocation. However, it should be highlighted that politics is understood as the personal interests of politicians, not participatory or democratic processes. The negative perception of politics increased with the current political crisis that the country is living in and the extremely high turnover in high-level positions. Nevertheless, as exposed by scholars, the budget is also political. Thus, it is inevitable to deal with it during the allocation process and, rather, channels should be generated to link society with decision-making.

To conclude, if we stick to the formal definitions, performance criteria do not have the expected impact on civil servants' practice, which is to make decisions based on performance. There are indeed motivation and relevant efforts to try to incorporate it, but it seems to be very dependent on the civil servants' individual efforts and not as an institution. In practice, incorporating performance criteria in the budget allocation is uneven. Performance criteria are used when there is a reason to use it, and not because there is a reason per se to use it. In other words, it is usually used for seeking to support a pre-conceived idea, not otherwise.

Moreover, NPM ideas have influenced the state's vision as a rational institution. This has shaped the perception of how ideal decision-making should occur through performance criteria. However, this focus on performance has left behind other crucial aspects that are also vital for the process, enabling a more comprehensive understanding of the policies public servants are analyzing, such as basic input information, contextual information, among others. Moreover, politics has been pointed out as the black sheep factor. Indeed, the Peruvian situation does not help; however, the idea of politics as democracy and social justice has been blurred. Aspects that are correlated with people's needs.

While this Research Paper focused on budgetary topics, the results can be helpful to contextualize further investigations. For instance, in other sectors or administrative systems such as the planning one, where information is also a valuable input. Additionally, more research can be done on the political part of the budget process, which has not been in-depth studied in the Peruvian case. Also, the effects of the Pandemic caused by COVID-19 can be studied in the civil servants' practice.

Finally, the recommendations are the following ones: (i) Improve how performance indicators are presented, a single report once per year reporting only the values is not enough to link it with decision-making, it should bring more contextual information, generate alerts, and facilitate its translation to practical actions; (ii) Incorporate a wider vision of performance criteria, it is more than only performance indicators and evaluations, civil servants' also need input information (for example, HIS data), context, and spaces to meet and complemented,

confronted, and contrasted the information given; (iii) Promote knowledge management practices to deal with high staff turnover; and (iv) Conciliate the budgetary process with the political one, indeed political crisis and decay make it difficult to work in cooperation with politicians but true politics (and not personal interests) can be also strengthen through a more direct link with other processes of the public administration such as the planning one, which has more participatory processes.

Appendices

APPENDIX 1.

LIST OF REGULATIONS REVIEWED

The following list presents the RBB-related normative that was reviewed for the Research Paper.

Annual budget laws:

- Law No. 31638 – Law of Public Sector Budget for Fiscal Year 2023.
- Law No. 31365 – Law of Public Sector Budget for Fiscal Year 2022.
- Law No. 31084 – Law of Public Sector Budget for Fiscal Year 2021.
- Emergency Decree N° 014-2019– Law of Public Sector Budget for Fiscal Year 2020.
- Law No. 30879 – Law of Public Sector Budget for Fiscal Year 2019.
- Law No. 30693 – Law of Public Sector Budget for Fiscal Year 2018.
- Law No. 30518 – Law of Public Sector Budget for Fiscal Year 2017.
- Law No. 30372 – Law of Public Sector Budget for Fiscal Year 2016.
- Law No. 30281 – Law of Public Sector Budget for Fiscal Year 2015.
- Law No. 30114 – Law of Public Sector Budget for Fiscal Year 2014.
- Law No. 29951 – Law of Public Sector Budget for Fiscal Year 2013.
- Law No. 29812 – Law of Public Sector Budget for Fiscal Year 2012.
- Law No. 29626 – Law of Public Sector Budget for Fiscal Year 2011.
- Law No. 29465 – Law of Public Sector Budget for Fiscal Year 2010.
- Law No. 29289 – Law of Public Sector Budget for Fiscal Year 2009.
- Law No. 29142 – Law of Public Sector Budget for Fiscal Year 2008.
- Law No. 28927 – Law of Public Sector Budget for Fiscal Year 2007.

National public budget system laws:

- Legislative Decree N° 1440 – Legislative Decree of the National Public Budget System (2018) [Current].
- Law No. 28411 – General Law of the National Budget System (2004) and modifications.

Budgetary Programmes directives:

- Managerial Resolucion N° 0030-2020-EF/50.01 – Directive for the design of the Budgetary Programmes in the framework of the Budgeting for Results. [Current]
- Managerial Resolucion N° 0024-2016-EF/50.01 – Directive for Budgetary Programs within the framework of Budgeting for Results. [Mainly used for the research paper]
- Managerial Resolucion N° 0021-2015-EF/50.01 – Directive for Budgetary Programs within the framework of the Programming and Formulation of the Budget of the public sector for the fiscal year 2017.
- Managerial Resolucion N° 0002-2015-EF/50.01 – Directive for Budgetary Programs within the framework of the Programming and Formulation of the Budget of the public sector for the fiscal year 2016.

- Managerial Resolucion N° 0002-2014-EF/50.01 – Directive for Budgetary Programs within the framework of the Programming and Formulation of the Budget of the public sector for the fiscal year 2015.
- Managerial Resolucion N° 0003-2013-EF/50.01 – Directive for Budgetary Programs within the framework of the Programming and Formulation of the Budget of the public sector for the fiscal year 2014.
- Managerial Resolucion N° 0004-2012-EF/50.01 – Directive for Budgetary Programs within the framework of the Programming and Formulation of the Budget of the public sector for the fiscal year 2013.

Multi-year programming budget and budget formulation directive:

- Managerial Resolucion N° 0005-2022-EF/50.01 – Directive for Multi-year programming budget and budget formulation. [2022-2024]

Monitoring directives:

- Managerial Resolucion N° 0011-2022-EF/50.01 – Directive for Monitoring in the framework of the Budgetary Evaluation Phase. [Current]
- Managerial Resolucion N° 0027-2020-EF/50.01 – Directive for Monitoring in the framework of the Budgetary Evaluation Phase.

Evaluation directives:

- Managerial Resolucion N° 0030-2019-EF/50.01 – Directive that regulates the Evaluation within the framework of the Budgetary Evaluation phase. [Current]

Appendix 2. Questionnaire

The following is a model of the questionnaire used during the interviews. Since semi-structured interviews were applied, not all the same questions were necessarily applied to all the interviewees, but all the main topics were maintained. Also, it should be noted that the interviews were made in Spanish, so the questions presented here have been translated into English only for the audience of this Research Paper.

General information

1. Could you tell me about your position?
2. How long have you been in that position? / How long did you work in that position?
3. Could you briefly tell me what a typical day at your job looks like/was like?
4. Could you describe the main stages of the budget allocation process?

About the definition and development of performance information

5. During the budget allocation process, what information was available to you?
6. Would you have liked to have more information? Which ones?
7. In the end, what information was most relevant to decision-making during the budget allocation?
8. How would you define performance information? Could you give me examples?
9. How is it decided what information to generate and who generates it?

About the use of performance information

10. From 1 to 10, where 1 is a little and 10 is a lot, how much influence do you think the following variables have on budget allocation? (indicators, evaluations, political factors, others)
11. Have you ever wanted to use performance information during the budget allocation but couldn't? What problems did you face? (within the entity, outside the entity)

About their personal experience

12. Considering your personal experience during your position, what positive aspects did your job leave you with?
13. What were the biggest personal challenges in your job?
14. What could be improved so that you can improve your decision-making process during budget allocation?

Appendix 3. List of interviews

The following table shows general information about the people interviewed (entity, position, date of interview, and gender). It should be noted that the information collected by the interviews was handled anonymously. Hence, in terms of transparency and to give some context about the people interviewed, limited information is shared. Furthermore, the sequence in the following table is unrelated to the interviewee ID presented in Appendix 4.

Table 3.1: List of interviews

Entity	Position	Date of interview	Gender
MEF	Director of Quality Expenditure	08.2023	Female
MEF	Coordinator of Budgetary Programmes	08.2023	Female
MEF	Coordinator of Health Sector Budget	08.2023	Male
MEF	Coordinator of Performance Indicators	08.2023	Female
MEF	Specialist of Evaluations	09.2023	Male
MEF	Analyst of Health Sector Budget	08.2023	Female
MEF	Analyst of Health Sector Budget	08.2023	Female
MoH	Director of Planning and Budget	08.2023	Male
MoH	Director of the Institute of Mental Health	08.2023	Male
MoH	Coordinator of Budgetary Programmes	08.2023	Female

Source: Author's elaboration.

Appendix 4. Interviews results summary

The following table contains the summary of the most relevant answers of the interviewees tabulated by the main topics of this Research Paper. It is worth mentioning that the information presented reflects the general idea of the interviewee, not the literal quotations of what they said. The aim is to give a general idea of the answers collected.

Table 4.1: Interviews results summary

ID	About their daily work	About the definition and development of performance information	About the use of performance information	About the problems of performance information	About their perception of their work
01	<ul style="list-style-type: none"> • Workload depends on the year's moment and the budgetary process's stage. • Daily activities were mainly leading the budgetary process and meeting with different actors. • On average, 30% of the daily activities were planned, and 70% were not planned. 	<ul style="list-style-type: none"> • The initial information available was historical budget execution. • There were also other ones (e.g., indicators database, national surveys), but there was no capacity to analyse them. • Ideal information would be unitary costs and offer and demand of services. • In 2022, performance tables were held, a space to talk between MEF and the sector about their plans and problems. • Information had to be reviewed and generated many times because of the high turnover of people. 	<ul style="list-style-type: none"> • Information was tried to be used for the team analysis; however, when the meetings with the ministers were held, it was usually left aside. • Performance information had an influence of 4 in the budgetary process, and political aspects 7. 	<ul style="list-style-type: none"> • The complexity of the health sector was due to the high number of inputs needed for the service and different types of population. • Information was not updated. • There was no capacity to analyse the large amount of information. • The process to generate and use information was unclear. • Not much information was systematized. • There was no support to use performance information from my superiors. 	<ul style="list-style-type: none"> • A positive aspect was all the new things learned. Also, the opportunity to propose new forms of work because of the liberty given by the direct superior. • The work was too demanding. • Too many changes in the ministers and directors turned the decisions more political, leaving aside the technical work done.
02	<ul style="list-style-type: none"> • Daily activities were mainly producing normative instruments and participating in the budget analysis. • On average, 30-40% of the daily activities were planned, 	<ul style="list-style-type: none"> • The initial information available was the results of performance indicators and evaluations. 	<ul style="list-style-type: none"> • The beginning of the allocation was made by generics, not by BP. • Performance information had an influence of 3 in the 	<ul style="list-style-type: none"> • Low reliability of certain information (e.g., physical goals). • Anomalous behaviour of indicators due to the pandemic. 	<ul style="list-style-type: none"> • A positive aspect was everything learned about the budgetary process. • The work was too demanding and

ID	About their daily work	About the definition and development of performance information	About the use of performance information	About the problems of performance information	About their perception of their work
	and the rest were not planned.	<ul style="list-style-type: none"> • Another information available was physical goals, but it was not reliable. • Ideal information would be the results of indicators by region or province, as well as physical goals. • The information gathered in the performance tables helped to understand the sector. However, it was not clear what to do with it next. 	<p>budgetary process, and political aspects 8.</p> <ul style="list-style-type: none"> • Use of information depended on the director or the high authority and his/her support. • Information was a bit more used during additional demands. 	<ul style="list-style-type: none"> • Budgetary processes were not very clear at the beginning. • Some information was difficult to access and required advanced quantitative skills. • Change in directors implied change in priorities and forms of work. 	unpredictable, affecting personal life.
03	<ul style="list-style-type: none"> • Daily activities were mainly meetings with the general director and coordinating with the different areas of the Ministry. • The work agenda was made day by day. 	<ul style="list-style-type: none"> • The ideal information would be unitary costs. This was worked years before but left behind. • Ideal information would be having an Electronic Medical Record. • Plans to generate information cannot be made because of the high turnover of bureaucrats. 	<ul style="list-style-type: none"> • There was no incentive to use it because, in the end, the budget allocation was always historical. • It was a tool for MEF to control you. • Performance information had an influence of 3 in the budgetary process. 	<ul style="list-style-type: none"> • Performance indicators were not useful because they were planned one year before, and everything could change later. • It was more important to know and agree on where you want to go and what you want to achieve, planning. 	<ul style="list-style-type: none"> • Work was hard, professionally and emotionally. • The best part was seeing that your work has an impact on people. • Better communication between sectors would be appreciated. • It was valuable when your superiors supported you in your work.
04	<ul style="list-style-type: none"> • Daily activities were mainly managing normative instruments and coordinating with different teams. • On average, 10% of the daily activities were planned, and the rest were not planned. 	<ul style="list-style-type: none"> • The initial information available was historical budget execution. • Ideal information would be the results of performance indicators and their evolution related to human resources productivity, the quality of the services, and the acquisitions of medicines. 	<ul style="list-style-type: none"> • Performance information had an almost null influence on the budgetary process; political aspects had 9.5. Inertial allocation had an influence of 9. 	<ul style="list-style-type: none"> • In general, there was no mindset of results orientation. • The work highly responded to political issues, especially when authorities changed too frequently. • The budget changed a lot during the implementation year, so the initial plan was 	<ul style="list-style-type: none"> • A positive aspect is all the people met and the knowledge learned. • It was valuable when your superiors supported you in your work. • The work was hard and there was a lot of pressure because of the importance of the decisions.

ID	About their daily work	About the definition and development of performance information	About the use of performance information	About the problems of performance information	About their perception of their work
		<ul style="list-style-type: none"> The information gathered in the performance tables was useful to understand the sector. 		<p>not very influential. The process was too rigid.</p>	
05	<ul style="list-style-type: none"> Daily activities were mainly monitoring and generating information. Other activities different from the original functions were also assigned. On average, 30% of the daily activities were planned, and 70% were not planned. 	<ul style="list-style-type: none"> Ideal information should give alerts about low performance and should not wait one year to process the data. Budgets, physical goals, and indicators should be linked. The information gathered in the performance tables was useful to understand the sector. 	<ul style="list-style-type: none"> The beginning of the allocation was made by generics, not by BP. Performance information had an influence of 3 in the budgetary process, and political aspects 8. Inertial allocation had an influence of 7. 	<ul style="list-style-type: none"> There was not much support from my superiors, especially because of the high turnover and the constant change in the ways of working. Hard to manage more than 900 performance indicators. The time when information is available and necessity is not always aligned. It was not considered in the decision-making spaces. Political aspects were more influential. It was unclear or formally defined how to use it during the budgetary process. Information systems of the sectors had a very low quality and were not interconnected. 	<ul style="list-style-type: none"> The work was too demanding. The best part was seeing that your work has a concrete positive impact. There should be more order and communication between the teams.
06	<ul style="list-style-type: none"> Activities depended on the moment of the year and the stage of the budgetary process. Daily activities were mainly generating information. Other activities different from the original functions were also assigned. 	<ul style="list-style-type: none"> Evaluations and their design were coordinated between MEF and the sector. 	<ul style="list-style-type: none"> Evaluations were used during the allocation process but were not only about whether an intervention had an impact; context and interpretation have to be given. The agenda of commitments generated after an evaluation was useful for generating changes according to the 	<ul style="list-style-type: none"> Evaluations were useful to know if the intervention had an impact; however, they did not tell you the how; the monitoring system should give that. The amount of information could be huge, and it takes time to generate it. It needed more workers because there are very 	<ul style="list-style-type: none"> The best part was seeing that your work has a concrete positive impact.

ID	About their daily work	About the definition and development of performance information	About the use of performance information	About the problems of performance information	About their perception of their work
			<p>evaluation's recommendations. The ministers shared this agenda.</p> <ul style="list-style-type: none"> • How much information was used also depends on the specialist in charge. • Information was shared mainly through paper and through meetings with other teams. 	<p>complex sectors and different from each other.</p>	
07	<ul style="list-style-type: none"> • Activities and workload depended on the year's moment and the budgetary process's stage. • Daily activities were mainly coordination with different teams outside and inside the ministry. 	<ul style="list-style-type: none"> • Meetings are an important space to gather and generate more contextual information. 	<ul style="list-style-type: none"> • In previous years, meetings with the Regional Governments were held to discuss their performance indicators results and generate improvement plans. • Performance information had an influence of 4 or 5 in the budgetary process, and political aspects 8. Another aspect that influenced is the sanitary emergencies. • There should be more spaces to reflect between different teams. • It depended on the willingness of the director. 	<ul style="list-style-type: none"> • Budgetary stages were not aligned with the stages of managing performance indicators. • Decisions were usually taken in ministers' meetings, where the focus was political rather than technical. • New teams were conformed in MEF and had to learn everything from the beginning. • Because of the Pandemic of COVID-19, in-person meetings are less now; these spaces were important for coordinating and sharing plans between teams. • Budgeting and planning were sometimes disconnected. The budget was changed multiple times during the implementation, leaving behind what was initially planned. 	<ul style="list-style-type: none"> • A positive aspect was how much was learnt and the abilities developed. • A negative aspect was the frustration with no superior support and a high turnover.

ID	About their daily work	About the definition and development of performance information	About the use of performance information	About the problems of performance information	About their perception of their work
08	<ul style="list-style-type: none"> Activities and workload depended on the year's moment and the budgetary process's stage. July and August are the heaviest months. On average, 70% of the daily activities were planned, and 30% were not planned. However, to accomplish the planned tasks, overtime must have been done. 	<ul style="list-style-type: none"> The initial information available was historical budget execution. Ideal information would be the gap between the offer and demand of public services. Also, the desegregation by locality. Furthermore, information about costs would have been very useful. It was useful to have meetings with the sector to understand their work. 	<ul style="list-style-type: none"> Performance information had an influence of 5 in the budgetary process, and political aspects 6. It was tried to be used during the allocation, especially at the beginning of the process. 	<ul style="list-style-type: none"> Some results of performance indicators were not very reliable. Not all the information that was needed was available. The constant change of directors generated different strategies and made the process slower. 	<ul style="list-style-type: none"> It was valuable the knowledge learned and the possibility to align work with professional interests. Also, the teamwork. Negative aspects were bureaucratic processes and priorities instability due to directors' constant change.
09	<ul style="list-style-type: none"> Daily activities were mainly solving problems and meetings with different teams. 	<ul style="list-style-type: none"> Information about what works or not was seen through practice, if there was a (perceived) change in the target population. A need for information was identified, so an instrument was designed in collaboration with academia: The National Mental Health Survey. A problem in developing the survey was the difficult coordination with other public entities. It was needed to move budget from other activities to finance the development of studies. Planning was difficult due to the constant changes of authorities. 	<ul style="list-style-type: none"> There was not much communication between the directions and entities about what indicators were being measured. Another type of performance indicator was used to give remunerative bonuses to workers. Work was done mainly without evidence base because there was no information developed. 	<ul style="list-style-type: none"> There was no systematized information or performance indicators for daily management. 	<ul style="list-style-type: none"> It was valuable to help people through your work. A negative aspect was the high turnover of authorities, this situation changed the agenda and paralyzed the work done.

ID	About their daily work	About the definition and development of performance information	About the use of performance information	About the problems of performance information	About their perception of their work
		<ul style="list-style-type: none"> • An indicator dashboard was created but now it is no longer updated and used. 			
10	<ul style="list-style-type: none"> • Daily activities were monitoring the teamwork and stakeholders' meetings. • On average, 70% of the daily activities were planned and 30% were not planned. 	<ul style="list-style-type: none"> • The initial information available was historical budget execution. • In the impact level, the most valuable information was evaluations. At the level of results and products, there were the performance indicators. • Qualitative information is essential to understand performance and solve problems. 	<ul style="list-style-type: none"> • It was usually used to reduce the budget instead of increasing it. There were no incentives that linked performance and budget. • Allocation was strongly driven by inertial allocation. • Performance information had an influence of 4 or 5 in the budgetary process, and political aspects 6 or 7. Inertial allocation had 8. 	<ul style="list-style-type: none"> • It was very limited. They were not badly designed but not collected frequently. • Decisions were often political, not technical (government promises, congressional negotiations, etc.). • It was needed more capacity to analyse the information and reflect on it. • It was hard to give hard work and not see a change. • The processes were not clear at all. High turnover and not staff induction. Forms of work depended on the team in charge at that moment. • RBB was well written on paper but was not internalized by the people. 	<ul style="list-style-type: none"> • It was valuable the knowledge learned. This process is not usually very easy to access. • A negative aspect was the uncertainty of whether your work will continue despite the changes.

Source: Author's elaboration.

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Notes

¹ Source: Consulta Amigable SIAF-MEF (Accessed: 16 September 2023).

² Source: Consulta Amigable SIAF-MEF (Accessed: 16 September 2023).

³ Or Management for Results, Management based on Results, Management for Results in Development, etc.

⁴ Or Performance Budgeting, Outcome-Based Budgeting, Results-Oriented Budgeting, Program Budgeting, Performance-Informed Budgeting, etc.

⁵ Budget incentives are not taken into consideration for this study because they are only implemented for specific interventions and sectors.

⁶ Since 2020, there has been a new methodology but it is not widespread. Only 3 out of 89 BPs currently use it, and all health BPs still use the previous one.

⁷ Obtained doing a simple division between the allocated budget and the physical goal.