

# SMOKE SCREEN:

Results-based Budgeting,  
Privatization, and Public Sector  
Cuts in Alberta



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# Smoke Screen: Results-based Budgeting, Privatization, and Public Sector Cuts in Alberta

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## Executive summary

With the February 2012 passage of the Results-based Budgeting Act, the Alberta provincial government signaled its intent to change how government services are evaluated and funded. Results-based budgeting [RBB] is a form of performance management that proponents claim helps make sure that public services are provided efficiently and effectively.

Ensuring that citizens benefit from well-run public services is unquestionably a chief responsibility of government. Different levels of government from around the world and across the political spectrum employ various strategies in an effort to ensure the efficiency and effectiveness of the services they provide.

But performance management techniques such as RBB do not have a track record of success. A survey of the experiences of jurisdictions reveals multiple flaws, including:

- a.** The pretense of unbiased objectivity: results derived from the application of techniques like RBB are presented as beyond debate, which can serve to disguise the need for ongoing critical engagement with public policy issues by both policy-makers and the public.
- b.** The challenge of measurement: public services are multifarious and interconnected, making them ill-suited to evaluation through techniques such as RBB.
- c.** Increased administrative burden and higher costs: intense scrutiny of public services requires resources that might otherwise have helped fund the services themselves.
- d.** Failure to bring about meaningful change: resource-intensive efforts at performance management have often failed to significantly alter how public services are funded and evaluated.

Within Alberta, the provincial government embraced performance management in the 1990s under the premiership of Ralph Klein. The results of Klein-era efforts underline the potential of performance management techniques to substantially increase bureaucracy, which can erode government effectiveness and efficiency. Current government employees experiencing the RBB process firsthand have expressed serious concerns about the process. Ultimately, performance management techniques such as RBB have a dubious record both internationally and within Alberta.

In Alberta, RBB amounts to an attempt to justify a longstanding political agenda. Rather than a dramatic change in budgeting practices, it reflects the commitment of the government to further diminish the role of government through both increased privatization and cuts to public services. This is evident within the RBB process, both insofar as the government has made clear it expects savings, and insofar as private sector advocates have been given influential roles. Privatization of Alberta's public services has been shown to erode their quality and accessibility, as well as to reduce government transparency and accountability. RBB appears to be the smoke screen Redford's provincial government is using to shroud its plans to shrink the role of government.

A more appropriate effort to ensure effectiveness and efficiency in Alberta's public sector would involve determining how to get maximum value for citizens through the delivery of accessible, high-quality public services. Such an effort would require a commitment on behalf of government to work cooperatively with public sector employees, community groups, and Albertans to determine which services are necessary, and then to establish a provincial revenue stream adequate to cover the costs.

Should the government insist on pushing ahead with RBB, there are some straightforward steps that can be taken to improve the current situation. At minimum, the government of Alberta should:

- 1)** Pause the implementation of RBB to allow for a thorough assessment of whether the process is likely to provide useful information in a cost effective way. This assessment should be conducted in a fully transparent manner.

Following this assessment, if the evidence favours RBB and the government decides to proceed, the government should then:

- 2)** Ensure adequate staff, funding, and time for the RBB process, in order to allow for careful and robust assessments of government functions.
- 3)** Ensure that RBB, or any other performance management process, fully utilizes all resources internal to the civil service, and reconsider the involvement of private sector advocates such as the Centre for Priority Based Budgeting.
- 4)** Commit to making public all key documents relating to the RBB process, including draft review plans, finalized review plans, and any feedback provided by Challenge Panels.

# I. Introduction

With the February 2012 passage of the Results-based Budgeting Act, Alison Redford's Progressive Conservative government signaled its intent to change how government services are evaluated and funded.<sup>1</sup> According to the Alberta government, results-based budgeting [RBB] is intended to move the province's budgeting practices toward a more results-oriented approach. The government's stated goal is to ensure that programs are being delivered in the most cost-effective manner.

Ensuring that the Alberta government is accountable for the results of programs and services it delivers is desirable. The government should be measuring whether Albertans are getting accessible services delivered at the level of quality and efficiency they have the right to expect. There is reason to be concerned, however, that the RBB approach will not contribute to the goal of ensuring the adequacy and effectiveness of government services.

RBB amounts to a form of performance management. Different levels of government from around the world and across the political spectrum have adopted various performance management techniques. When Alberta embraced performance management in the 1990s under the premiership of Ralph Klein, these approaches were at their height. However, in many jurisdictions, the zeal has since turned to skepticism. Often, such approaches have failed to bear out the lofty promises of their promoters.

Through examination of expert research and conversations with affected Albertans, this report takes a hard look at RBB. It presents an analysis of what performance management techniques such as RBB have meant elsewhere, and offers a discussion of RBB in the Alberta context.

After an introduction of key issues in section I, section II of this report details the substantial challenges involved with performance management techniques, based on a review of the experiences of jurisdictions around the world, including Alberta. The main conclusion derived from this review is that while the rhetoric surrounding these approaches may seem appealing, there are significant barriers to their successful implementation. These barriers include:

- **The pretense of unbiased objectivity**

The assumption that techniques like RBB offer an unbiased, objective means to assess government programmes and services can prove a barrier to considered judgement by decision-makers and careful scrutiny by the public, both of which are absolutely essential for the creation of successful public policy.

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<sup>1</sup> Results-based Budgeting Act, Statutes of Alberta, Chapter R-17.5, 2012.

- **The challenge of measurement**

Experiences in other jurisdictions make clear that it is very difficult to identify appropriate ways of evaluating public services, to compile the data necessary to undertake meaningful evaluations, and to establish concrete connections between budgeted spending and service outcomes. If these significant challenges cannot be met, techniques such as RBB stand little chance of success.

- **Increased administrative burden and inflated costs**

Techniques such as RBB come at a significant cost in terms of both public dollars and staff time, and absorbing these costs within existing budgets inevitably diminishes the dollars available to fund public services. Jurisdictions can get caught in a vicious circle whereby rising expenditures related to evaluation constrain budgets, leading to less effective services that seem to require further evaluation.

- **Failure to bring about meaningful change**

Techniques such as RBB have failed to fulfill the expectations of proponents. In many jurisdictions, these techniques have amounted to expensive public relations exercises on behalf of governments eager to be seen to be taking action to curtail public spending and improve transparency and accountability.

Section III of this report focuses on why the provincial government is promoting a technique that has proven problematic. The answer: RBB offers the provincial government a means of attempting to justify its chosen policy direction. A government with a long-standing commitment to shrinking the public sector finds in RBB a means of attempting to convince skeptical Albertans that their policy choices derive not from ideological principles, but from careful study of how best to deliver the services that Albertans need.

Section III also considers Alberta's earlier efforts at performance management, with particular reference to experiences within Cultural Facilities and Historical Resources, a division within what was, in the 1990s, the Department of Community Development. Despite initial enthusiasm, staff-members soon found that the new performance management system impeded their abilities to accomplish their core tasks and failed to produce significant useful knowledge.

Section III concludes with a discussion of the concerns of front-line provincial employees currently undergoing the RBB process. The efforts of employees within Persons with Development Disabilities, under the auspices of the Ministry of Human Services, make clear the substantial time and resources required to produce meaningful and accurate data through which to gauge programme success. Staff worry that the RBB process now underway will not offer an appropriate picture of the functions of the Ministry of Human Services, and that an incomplete or incorrect picture will result in budgeting decisions with negative effects on vulnerable Albertans.

Section IV concludes the report by recommending concrete steps the Alberta government should take to work toward a meaningful attempt to ensure that all Albertans have access to effective and efficient government services.

## **I.2 WHAT IS RESULTS-BASED BUDGETING?**

Results-based budgeting belongs within a spectrum of performance management systems that also includes techniques such as management by objectives, new financial management practices, and results based management.<sup>2</sup> According to the Organization for Economic Cooperation and Development [OECD], most governments have experimented with some form of performance management.<sup>3</sup> Alberta has been experimenting with different forms of performance management for over two decades.

Results-based budgeting is an extreme form of performance management. As a type of performance budgeting, it involves an attempt by government to base funding decisions on the outcomes of government services. As explained by the Government of Alberta, RBB is meant to “ensure that government programs and services are meeting their intended goals” and to verify that they are “being delivered in the most efficient and effective way possible.”<sup>4</sup>

While performance budgeting is not an instrument inherently designed to curtail expenditures, for many governments the appeal is rooted in the assumption that it offers a strategic means to cut budgets. Proponents maintain that performance budgeting can be used to make cuts based on a service’s assessed value within the government (thereby purportedly achieving the goal of objectivity) and to put all spending under scrutiny (thereby purportedly achieving the goal of comprehensiveness).<sup>5</sup>

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2 Rhonda Sharp, *Budgeting for Equity: Gender Budget Initiatives Within a Framework of Performance Oriented Budgeting* (New York: United Nations Development Fund for Women, 2003), 31.

3 Organization for Economic Cooperation and Development, *In Search of Results: Performance Management Practices* (Paris: OECD Publications, 2007).

4 Government of Alberta, *Results-Based Budgeting Report to Albertans* (November, 2012), 2.

5 Government Finance Officers Association Research and Consulting Centre, *Zero Based Budgeting Modern Experiences and Current Practices* (Chicago: GFOA and the City of Calgary, 2011).

Traditional budgeting, also referred to as line item budgeting, is oriented toward setting spending limits at the level of the government department or sub-department on line items (such as wages, supplies, and external services) within the budget. It is based on longstanding notions of accountability to the legislature, where public funds are allocated to each department after formal debate and voting by elected representatives.

Supporters of performance budgeting criticize the traditional budgeting process for being based on past spending, rather than critical engagement with current circumstances. Some object to traditional budgeting on the presumption that it involves automatic spending increases. From this perspective, RBB is seen to have the potential to help ensure all spending decisions are made with due attention and care.<sup>6</sup>

Such criticisms are rooted in the fallacious assumption that governments budgeting in a traditional manner automatically hike expenditures. This is not in line with how responsible governments operate. Competing interests, shifting priorities, and changes in public and political contexts mean that budgets, even in traditional budgeting, are put together through a process of setting goals and establishing priorities in light of fiscal limitations.<sup>7</sup> Additionally, it should be noted that inflation, as well as other factors such as population growth and aging, mean that annual funding increases are necessary simply to guard against the erosion of public services.

Further information on Alberta's RBB process is provided in the appendix to this report.

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6 Tanya Bowerman, Executive Director of Results-based Budgeting, Budget Development and Reporting Division, Alberta Treasury Board and Finance, in discussion with Diana Gibson, January 2013.

7 Aaron Wildavsky, *Budgeting: A Comparative Theory of Budgetary Processes* 2nd, rev. ed. (New Brunswick: Transaction Books, 1986), 1-2.

## II. Experiences elsewhere

Different levels of government from around the world and across the political spectrum have adopted performance budgeting. These processes take a variety of forms in different cultural and national contexts.<sup>8</sup> Still, there are common experiences with performance budgeting that can be informative for Alberta.

The main conclusion to be derived from the academic literature assessing performance budgeting is that while the technique can be politically appealing, it is ultimately very difficult to implement effectively.<sup>9</sup> According to academic expert Dr. Paul Thomas, performance budgeting produces disappointing results because “[w]hat is popular in terms of rhetoric and theory has proven difficult to implement successfully in practice.”<sup>10</sup>

The following section addresses some key difficulties with performance budgeting as it has been implemented elsewhere. It focuses on those related to:

- a. The pretense of unbiased objectivity
- b. The challenge of measurement
- c. Increased administrative burden and rising costs
- d. Failure to bring about meaningful change

For reasons resulting in part from these difficulties, a number of governments have backed away from performance management efforts, including those of New Zealand, the United Kingdom, and five American states.<sup>11</sup>

8 James Guthrie, Olov Olson and Christopher Humphrey, “Debating Developments in New Public Financial Management: The Limits of Global Theorizing and Some New Ways Forward,” *Financial Accountability and Management* 15 (1999): 209-228.

9 Janet M. Kelly and William C. Rivenbark, *Performance Budgeting for State and Local Government* (New York: M.E. Sharpe Inc, 2011); John J. Williams, James D. Newton and Eric A. Morgan, “The Integration of Zero-Base Budgeting with Management-By-Objectives: An Empirical Study,” *Accounting, Organization and Society* 10 (1985): 457-476.

10 Paul G. Thomas, *Why Is Performance-Based Accountability So Popular in Theory and So Difficult in Practice* (Winnipeg: University of Manitoba, 2008), 1.

11 Ibid.

12 Tim Hindle, “The Economist Guide to Management Ideas and Gurus,” excerpted in “Idea: Zero Based Budgeting,” *The Economist*, January 26, 2009.

### II.1 THE PRETENSE OF UNBIASED OBJECTIVITY

One of the major attractions of the RBB approach is the presumption that it amounts to the de-politicization of the budgetary process. If the criteria for allocating funds to particular government departments are clearly stated and quantifiable, determining funding for each department could be a simple process of measuring performance against stated criteria and allocating funds accordingly. There would, ideally, be no room for political maneuvering. In this way, RBB is assumed to provide a means of circumventing the political interests that are seen to drive the traditional budgeting process.<sup>12</sup>

But government budgets are inherently political documents; they are expressions of underlying beliefs about how public revenue should be collected and distributed. All budgeting, including RBB, is driven by the

interests and perspectives of those in positions of political power. Experience reveals that performance budgeting processes are no less susceptible to political pressures than traditional processes.

Performance budgeting is often presented as a means to achieve the goals of increased accountability and greater efficiency. Just as budgeting is not politically-neutral, neither are these concepts. For example, efficiency can be used to promote radically different agendas, ranging from cost cutting to service expansion, depending on whether the emphasis is on maximizing programme output for a given budget input or achieving a programme output through a minimal budget input.<sup>13</sup> Further, the pursuit of the seemingly desirable goal of greater government efficiency can result in undesirable consequences, such as employee wage cuts or a loss of the flexibility required to respond to unexpected developments.

One of the dangers of the RBB process is that it has the potential to diminish government accountability. If funds are seen as allocated through depoliticized processes, as opposed to according to the judgement of elected officials, it becomes easier for politicians to avoid taking responsibility for the allocation of public dollars. Insofar as it obscures the political pressures underlying the budgeting process, RBB discourages efforts by the public to hold the government to account.

RBB has the potential to let elected representatives off the hook for the decisions they make, insofar as choices about the allocation of public funds can be presented as outcomes of a supposedly unbiased, objective budgeting process. The fallacious notion of de-politicized budgeting serves to diminish government accountability by obscuring the connection between political decision-making and the expenditure of public funds.

## II.2 THE CHALLENGE OF MEASUREMENT

Any success in the RBB process depends on robust and appropriate assessments of existing government services. Such assessments provide the basis for decisions about funding changes. Experiences in other jurisdictions make clear that it is very difficult to identify appropriate measures to use in assessments, to access the necessary data, and to establish direct and stable connections between budget inputs and programme outputs. These challenges call into question the very feasibility of the RBB process.

The idealized vision of RBB articulated by proponents involves breaking down all government services into discrete, quantifiable, and reliable indicators of performance. For any jurisdiction of significant size, the complexities and interconnectedness of government services makes this all

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13 Sharp, Budgeting for equity.

but impossible to achieve. A review of performance management in the United States identified this problem. The review underlined the difficulty in boiling down the range of government services to meaningful indicators that would clearly signal success or failure.<sup>14</sup>

Recognizing the virtual impossibility of developing comprehensive indicators, the RBB process inevitably entails political decisions about what is and what is not to be measured. Obviously, these decisions have a significant impact on the outcomes of the RBB process. Indeed, a large-scale study by US academics concluded that “choosing the ‘wrong’ performance measure might prove worse than having no performance measures at all.”<sup>15</sup> Time and money invested in working toward and monitoring ill-chosen indicators is a serious concern.

There are also substantial challenges related to accessing the data necessary to undertake a programme assessment. Challenges to data collection can include the capacity of the staff assigned to the task. Front-line staff trained in service delivery may lack training or experience in the appropriate techniques of data collection. Data quality can also be compromised through the involvement of other parties (e.g. other levels of government and non-profit or for-profit agencies) in programme delivery. These other parties may not have sufficient resources to ensure the collection of meaningful data, or may resist dedicating sufficient resources to a process in which they do not feel fully invested. Faulty or incomplete data can make the RBB process meaningless, with potentially serious consequences for public services.

A further difficulty with the assessments on which RBB depends relates to the challenge of connecting the dots between budget inputs and programme outcomes. A review of performance budgeting in the United States found that it was impossible to isolate single goals for agency activities, and interaction effects made it problematic to consider the funding for any particular activity in isolation.<sup>16</sup> In short: government activities serve multiple purposes, and this very multiplicity might be necessary for the achievement of a singular goal. And to make the matter even more complicated, achieving or failing to achieve any particular goal may relate to outside events not directly related to government activity.<sup>17</sup> RBB amounts to an oversimplification of the complexities and interdependencies of modern society, in which government services are irrevocably imbedded.

Additional difficulty derives from the short timeline typically allowed for RBB processes. The complexities of many social or health-related issues, for instance, mean that government initiatives might not produce results in a limited timeframe. The adoption of RBB, then, may discourage governments from implementing programmes that require long-term vision. At risk would likely be programmes such as public health initiatives

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14 Thomas, *Why Is Performance-Based Accountability So Popular in Theory and So Difficult in Practice*, 43.

15 W. Mark Crain and J. Brian O’Roark, “The Impact of Performance-Based Budgeting on State Fiscal Performance,” *Economics of Governance* 5 (2004): 167–186.

16 Kelly and Rivenbark, *Performance Budgeting for State and Local Government*.

17 Thomas, *Why Is Performance-Based Accountability So Popular in Theory and So Difficult in Practice*, 43.

in disease prevention that may offer dramatic results in the long term, but that represent significant costs with little measurable payoff in the short or medium term. As a result of RBB's focus on the short term, jurisdictions may end up with public services that are easily measurable, rather than those that best meet the needs of the citizenry.

Finally, even if it is possible to identify appropriate measures and gather meaningful data, the resulting assessment will not necessarily produce useful information. Substantial questions may remain about what policy prescriptions are necessary to address apparent problems. For instance, does poor performance indicate that resources should be withdrawn or that resources should be increased? Is it possible to be sure that results weren't skewed by previous adjustments to another budget item, or by developments beyond the budgeting process? Even after undertaking an RBB process, automatic or formulaic links between measures of effectiveness and budgetary allocations will rarely be logical, practical, or politically acceptable.<sup>18</sup>

### II.3 INCREASED ADMINISTRATIVE BURDEN AND RISING COSTS

Around the world, many governments have embraced performance budgeting out of a desire to shrink their budgets. Unfortunately for governments looking for savings, international research suggests that performance budgeting leads to increased administrative burden and rising costs.

Performance budgeting is a resource-intensive undertaking, one that requires significant inputs of staff time and public money. As academic expert Paul Thomas points out, "Information is not free and staff time is a scarce resource."<sup>19</sup> Costs are driven partly by the challenges inherent in undertaking the measurements required by performance budgeting. As Thomas goes on to point out, to "produce valid and continuous performance data and to subject it to analysis for purposes of decision-making is expensive."<sup>20</sup>

Performance budgeting techniques such as RBB are resource-intensive. Yet costs are often expected to be absorbed within existing operating budgets rather than offset through the provision of additional resources. This is by no means a minor matter. Resources invested in performance budgeting are resources not available for service delivery. A review of US experiences with performance management at the federal level concluded that the volume of paperwork increased significantly.<sup>21</sup> Essentially, efforts shifted from front-line work to pushing paper. Changes such as increased paperwork

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18 Christopher Pollitt, "Integrating Financial Management and Performance Management," *OECD Journal on Budgeting* 1/2 (2001): 15.

19 Thomas, *Why Is Performance-Based Accountability So Popular in Theory and So Difficult in Practice*, 9.

20 *Ibid.*

21 Kelly and Rivenbark, *Performance Budgeting for State and Local Government*; Daniel Tarschys, "Agenda 2014: A Zero-Based Approach," *European Policy Analysis* 5 (2007): 1-6.

may necessitate the hiring of new staff with experience in performance management, expanding the proportion of the civil service dedicated to administration and evaluation.

Jurisdictions considered international leaders in performance management have grappled with the hefty price tag that goes along with these approaches.<sup>22</sup> One strategy has been to simplify the process. For example, in the United Kingdom, the government has watered-down their performance management process by substantially reducing the number of targets and reporting categories.<sup>23</sup> While a shift to more limited measurement may lessen sticker shock to a certain extent, it also raises questions about the value of proceeding at all with performance management, which inevitably remains a significant expenditure.

Jurisdictions adopting performance budgeting run the risk of falling in to what Guthrie et al. have called “the evaluatory trap.”<sup>24</sup> This downward spiral begins with inflated service costs driven by the increased administrative burdens associated with performance budgeting. Increased costs prompt louder calls for budget cuts. These cuts are absorbed by public services, even as the administrative costs related to performance budgeting remain unchanged. Resulting job losses and service retrenchments leave the public sector in the position of delivering fewer services at greater cost, which increases the pressure for performance evaluation. And the spiral continues, with public services ever more starved and government administration increasingly bloated.

A review of the experiences of other jurisdictions makes clear that, perversely, RBB has the potential to create precisely the sort of inefficiencies the process would ideally eliminate. This has led Paul Thomas to recommend that the performance budgeting system should be turned on itself.<sup>25</sup> Proponents should be made to demonstrate to all interested parties, including the public, that performance budgeting will provide relevant and useful data at reasonable cost. In the absence of this data, there are reasons to favour the simplicity and efficiency of traditional budgeting.

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22 Thomas, *Why Is Performance-Based Accountability So Popular in Theory and So Difficult in Practice*, 9.

23 *Ibid.*, 7.

24 Guthrie, Olson and Humphrey, “Debating Developments in New Public Financial Management.”

25 Thomas, *Why Is Performance-Based Accountability So Popular in Theory and So Difficult in Practice*, 48.

## II.4 FAILURE TO BRING ABOUT MEANINGFUL CHANGE

A survey of the expert literature on performance budgeting indicates that it is common for a new performance management technique such as RBB to fail to bring about the desired change. In fact, techniques such as RBB have been seen to amount to a ‘utopian framework’ effective only as an idealized abstraction – one far removed from the realities of public administration.<sup>26</sup>

The history of performance management in the Canadian federal government indicates that the connection between programme assessments and government decision-making has been very weak. In 2003, the Standing Committee on Government Operations and Estimates reported that extensive performance reports were being used little, if at all, by government decision-makers.<sup>27</sup> In the US, the situation is much the same: despite near-continuous adjustment in federal budgeting techniques over the past few decades, very little has changed in how public funds are allocated.<sup>28</sup>

Research suggests that when performance budgeting does bring about change, these changes are often quite different from the purported goals of the process. In Australia for example, performance management may actually have reduced parliamentary accountability because of the increased complexity of the reporting formats and budget materials.<sup>29</sup>

For some governments, the adoption of new budgeting techniques amounts to a response to political pressure from groups demanding cuts to government spending.<sup>30</sup> In this context, financial and accountability reforms offer powerful public-relations strategies, and the highly-publicized introduction of the reforms is often more important than their successful implementation.<sup>31</sup> From this perspective, performance budgeting amounts to a political tactic deployed by the party in power and subsidized by citizens through their tax dollars. In Alberta, the provincial government decided to implement RBB amidst criticism over the expenditure of public funds, particularly from the right-wing Wildrose opposition. The RBB initiative offers the government a means to deflect political criticism of its spending patterns.

## II.5 Conclusion

The preceding sections have explored the key challenges and risks associated with the implementation of performance budgeting. These challenges and risks likely explain, at least in part, the continued prevalence of traditional budgeting. As academic expert Paul Thomas has explained, it is “easier to find examples of performance management systems that have been abandoned or drastically scaled back” than it is to find instances in which

26 Ian D. Clark and Harry Swain, “Distinguishing the Real from the Surreal in Management Reform: Suggestions for Beleaguered Administrators in the Government of Canada,” *Canadian Public Administration* 48, 4 (2005): 453-476.

27 Paul G. Thomas, *Performance Measurement, Reporting, Obstacles and Accountability: Recent Trends and Future Directions* (Canberra: Australian National University, 2006).

28 Kelly and Rivenbark, *Performance Budgeting for State and Local Government*.

29 Miekatrien Sterck and Geert Bouckaert, “The Impact of Performance Budgeting on the Role of Parliament: A Four-Country Study,” (paper presented at 2nd Transatlantic Dialogue, “Workshop 1: The Performance of Performance Budgeting,” Leuven, June 1-3, 2006).

30 Thomas, *Performance Measurement, Reporting, Obstacles and Accountability*, 5; Kelly and Rivenbark, *Performance budgeting for state and local government*, 44.

31 Guthrie, Olson and Humphrey, “Debating Developments in New Public Financial Management.”

such systems have contributed demonstrably to improved performance by public organizations, and have been made a permanent feature of government decision-making.<sup>32</sup>

If the government of Alberta were to take the advice of Thomas to conduct a thorough assessment of the RBB process – in effect, to turn RBB on itself – it would be obliged to recognize that a wealth of expert research suggests that RBB is highly unlikely to come close to fulfilling the grandiose promises made by its advocates, or to justify the significant investment of public resources required.

### **III. Results-based budgeting in Alberta**

In Alberta, RBB amounts to the justification of a previous policy agenda. Rather than a dramatic change in budgeting practices, it reflects the provincial government's commitment to continuing to reduce public services and expand privatization. The first section of the third part of the report (section III.2) considers how this political agenda has led Alison Redford's Progressive Conservative government to adopt RBB, even in the face of well-documented problems with performance budgeting.

Performance budgeting techniques like RBB represent extreme forms of performance management. Exploring Alberta's history of performance management, particularly with reference to changes introduced under the premiership of Ralph Klein some two decades ago, offers an opportunity to consider the local consequences of performance management.

The next section of this report (III.3) reviews academic experts' studies of the effects of Klein-era performance management on what was at that time the Cultural Facilities and Historical Resources Division [CFHR] within the Department of Community Development. This review makes clear the risk that bureaucracy expands in size and diminishes in effectiveness through the adoption of performance management.

The following section (III.4) is based largely on conversations with provincial government front-line staff and managers currently participating in the RBB process, a number of whom spoke with us on condition of anonymity. Through a focus on services to persons with developmental disabilities, an area within the Ministry of Human Services, some of the challenges of implementing RBB come more fully into focus.

Historical precedents and anonymous conversations are key ways to penetrate the rhetoric of enthusiasts in order to get at the reality of Alberta's RBB process. These techniques are particularly important because of the provincial government's refusal to make public important materials related to the RBB process. As part of the research for this report, important documents produced through the RBB process were requested from the Executive Director of RBB. Permission to access these documents was denied. The documents were then requested formally through Alberta's Freedom of Information and Protection of Privacy Act. This request was also denied, with the government claiming the documents were exempt from the legislation.

### III.1 JUSTIFYING PRIVATIZATION AND CUTS

In launching the RBB process in spring 2012, Alison Redford's provincial government invoked the pretense of unbiased objectivity. The process was presented as a mechanism through which to critically evaluate the effectiveness and efficiency of government services, though little detail was provided as to how that was to be accomplished.

A public report on RBB released by the provincial government in November 2012 elaborated further. The report specified the government was not seeking budget reductions designed "to meet an arbitrary spending reduction target."<sup>33</sup> However, the document does state that "savings are expected," indicating the desired outcome of the process.<sup>34</sup>

Tug at this small thread, and the pretense of unbiased objectivity surrounding RBB in Alberta begins to unravel. The Premier has stated publicly her opinion that Alberta has "a spending problem."<sup>35</sup> This belief is reflected in the province's 2013 provincial budget, which exacted deep cuts to programme funding. As Premier Redford put it in February 2013, the province's spending problem is "one of the reasons we've undertaken the results-based budgeting process."<sup>36</sup>

Notably, the government has persisted in its assertions about the province's so-called spending problem despite a broad consensus among experts from across the political spectrum that the Alberta government's problem lies not with spending, but with revenues. This has long been recognized by progressives.<sup>37</sup> Recently, conservative analysts not typically noted for their support for taxation, such as Marc Joffe and Jack Mintz, have advocated for increased taxation.<sup>38</sup>

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33 Government of Alberta, *Results-Based Budgeting Report to Albertans* (November, 2012), 2.

34 *Ibid.*

35 D. Henton, "Redford Says Province Has 'A Spending Problem,'" *Calgary Herald*, February 23, 2013.

36 *Ibid.*

37 Kevin Taft, *Shredding the Public Interest: Ralph Klein and 25 Years of One Party Government* (Edmonton: University of Alberta Press, 1997); Greg Flanagan, "Fixing What's Broken: Fair and Sustainable Solutions to Alberta's Revenue Problems," Parkland Institute, June 2011; Shannon Stunden Bower, Trevor Harrison, and Greg Flanagan, "Stabilizing Alberta's Revenues: A Common Sense Approach," Parkland Institute, February 2013.

38 Marc Joffe, "Provincial Solvency and Federal Obligations," Macdonald-Laurier Institute, October 2012; Jack M. Mintz, "Don't Count on Oil," *Financial Post*, January 21, 2013.

When representatives of the provincial government claim that Alberta has a spending problem, what they mean is that, in their opinion, the province has a service problem. Their view is that the government should provide far fewer of the services on which Albertans rely. This is fully evident in the government's February 2013 Social Policy Framework, which is meant to be a foundational document guiding the administration of Human Services in Alberta. The Social Policy Framework is clearly intended to redefine the role of the provincial government in relation to service provision. It states that the government sees itself less as a "service provider, funder and legislator" and more as an "influencer, convener and partner."<sup>39</sup>

The Alberta provincial government has contracted the Centre for Priority Based Budgeting [CPBB] to assist with the implementation of RBB.<sup>40</sup> This US-based organization specializes in using RBB methods for budget cutting. It sees public spending not as an investment in social and physical infrastructure, but as a drain on government resources. As made clear in public documents put out by the CPBB, the organization's vision of the role of government is an extremely limited one, involving residents themselves fixing the potholes in their streets and getting inoculations from private healthcare providers.<sup>41</sup> In contracting this agency, the Alberta government further confirms its intent to implement RBB as a budget cutting mechanism.

The government's intention to use RBB as a means to justify privatization is evident within the aspects of the RBB process that have been made public. The process involves the participation of "Challenge Panels," external review boards positioned to provide input to the government and its ministries throughout the RBB process.

The Challenge Panels consist of a Treasury Board committee member, two government MLAs, and representatives of the private sector. Notably, there is little representation from within the civil service (whether Alberta's or that of other jurisdictions), from service delivery agencies, or from stakeholder groups. Nor is there significant representation from experts in public administration. What Challenge Panels do provide to government entities engaged in the RBB process is supervision and evaluation by individuals who have enjoyed success in the private sector, and members of a political party with a track-record of privatization. Dominated by those predisposed by political views or personal experience to favour the private sector, Challenge Panels are not well-equipped to advise on a full range of policy options that includes public delivery.

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39 Government of Alberta, "Alberta's Social Policy Framework," February 2013.

40 Centre for Priority Based Budgeting, "Relevance First – Wisdom from the Results Based Budgeting Act of Alberta, Canada," November 21, 2012.

41 Jon Johnson and Chris Fabian, "Seeing Things Differently," PM Magazine 94, 8 (2012): np.

The provincial government's approach was made further evident through some key questions that it has made clear are driving RBB. In November 2012, the government indicated that its RBB process was to include questions such as:

- Is this an appropriate line of business for the Government of Alberta to be in?
- Are there other orders of governments that provide similar services to similar clientele? Do not-for-profits or the private sector offer similar services?

Questions of this nature make evident the specific way efficiency is being defined through the RBB process – as a retrenchment of government services. The Director of RBB confirmed this in January 2013, making clear that:

*Review plans will definitely be including an assessment of alternative delivery mechanisms. The Challenge panels will be looking at that – it is a key to assessing efficiency.*<sup>42</sup>

The RBB process would appear to include a concerted effort to identify those services that could be offloaded onto the non-governmental and private sectors. In this context, efficiency is far from an unbiased, objective concept. Rather, it is defined by pre-conceived, highly-politicized notions of the respective roles of the public and private sectors.

Over the months since the provincial government launched RBB, it has become increasingly clear that the goal of cutting government services is driving the process. It should be recognized that the privatization agenda serves to warp the RBB process itself. While RBB might increase employment for performance management experts within the provincial bureaucracy, many current front-line employees participating in the RBB process are only too well aware that their jobs hang in the balance. Participating puts them in the difficult position of furthering a process that may well put them out of work, or dramatically change their working lives.

The value of RBB to Albertans hinges on the theory that it represents a means to achieve an unbiased assessment of the effectiveness and efficiency of public services. But the provincial government has already made clear that it has chosen RBB as a means to further privatization and reduce the role of government. It is working to redefine the role of government in a way that does not include service delivery; it has chosen as advisors an American organization that directs governments on how to cut services; it has structured the RBB process so as to make private sector proponents the intermediaries between government entities and the Treasury Board.

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42 Bowerman in discussion with Gibson, January 2013.

RBB amounts to the provincial government's effort to justify its long-standing agenda of privatization and public sector cuts.

### **Privatization: Not in the Public Interest**

Privatization has a long history both within Alberta and across Canada. As a result, it is possible to assess its consequences. This brief discussion draws on the research that forms part of Parkland Institute's 'Delivery Matters' series, which analyzes attempts to privatize the delivery of public services.

The 'Delivery Matters' series addresses the expansion of for-profit ownership of long term care facilities, which earlier had been largely public or not-for-profit. Because quality of care is difficult to assess directly, researchers have come to employ staffing levels as an acceptable proxy. Research undertaken in British Columbia by Dr. Margaret McGregor and her collaborators illustrates that staffing levels tend to be lower in for-profit facilities, with negative consequences for the frail elders in these facilities. The long term care sector illustrates how for-profit delivery is associated with lower quality services.

This series includes a study of increasing privatization of the maintenance required by Alberta's public buildings. The study was intended to compare the costs of maintaining public buildings publicly versus the costs of maintaining them through contracts with private service providers. However, Parkland Institute was denied access to basic information related to contracts with private providers, and was thus unable to make the comparison. This example demonstrates how relying on private contractors can serve to diminish accountability by reducing the amount of information that is available to the public.

The 'Delivery Matters' series also examines the example of the Health Resource Centre, a private surgical facility located in Calgary. Soon after it opened in 2003, the facility arranged to take on publicly-funded hip and knee replacements through a contract with Alberta Health Services. Parkland Institute gained access to cost information through a request submitted under Alberta's Freedom of Information and Protection of Privacy legislation, and this data made clear that each surgery conducted in the private facility was \$1,814 more expensive than it would have been in a public facility.

In sum, Parkland Institute's 'Delivery Matters' series makes clear that chipping away at the public delivery of government services carries significant consequences for Albertans, including higher costs and reduced accountability.

## III.2 INCREASING BUREAUCRACY

Despite the rhetoric of innovation surrounding the adoption of RBB, Alberta has been involved in performance management for decades. Soon after his election as Premier in the early 1990s, Ralph Klein introduced performance management in the form of business planning in three-year cycles. This was his government's solution to what was presented as the problem of provincial overspending and the need for greater accountability.<sup>43</sup> The Klein government's embrace of performance management formed part of a set of policies that ushered in massive reductions in spending on public services, the effects of which continue to impact the province two decades later.<sup>44</sup>

There are striking parallels between the Klein government's justification for performance management in the early 1990s and the Redford government's arguments for RBB some 20 years later, particularly in the focus on efficiency. Even civil servants tasked with implementing RBB have drawn this historical connection.<sup>45</sup>

Expert study of Klein-era performance management has the potential to suggest what might be expected of the RBB process. Particularly helpful in this regard is an extensive examination of the experiences of the Cultural Facilities and Historical Resources Division [CFHR] within the Department of Community Development, which was responsible for administering cultural and heritage sites across the province, as well as for delivering diverse recreational and arts programming.

Within the CFHR division, many staff-members were initially enthusiastic about the government's performance management plans. They welcomed the opportunity to demonstrate their competence through more detailed reporting mechanisms, including extensive business plans. However, the reality of developing and implementing business plans greatly dampened their enthusiasm. Staff found that attempts to satisfy the reporting requirements of the Treasury Board and other central government agencies served to undermine their abilities to accomplish their key tasks. Business plans were seen to have "reduced the control that people in the field had over their own work lives."<sup>46</sup> These new approaches also increased pressures on staff to engage in revenue-generating activities, even at the expense of other key functions.<sup>47</sup>

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43 Leslie Oakes, Barbara Townley and David J. Cooper, "Business Planning as Pedagogy: Language and Control in a Changing Institutional Field," *Administrative Science Quarterly* (1998): 257-292.

44 Kevin Taft, *Follow the Money: Where is Alberta's Wealth Going?* (Brush Education, 2012).

45 Personal correspondence with anonymous Government of Alberta employees, March 2013.

46 Oakes, Townley and Cooper, "Business Planning as Pedagogy," 277.

47 Oakes, Townley and Cooper, "Business Planning as Pedagogy."

Alberta's current RBB process is not designed to produce information on the quality of public services, or on the extent to which all Albertans are able to access them. The government is failing to ask important questions such as:

- Are all Albertans able to access this service, without barriers related to geographic location, financial costs, or other factors? If gaps exist, what are they?
- Where similar services are delivered in the public, voluntary, not-for-profit, or for-profit sectors, how does quality and accessibility compare among these delivery models?

Managers within CFHR were quickly disillusioned about performance management. A key issue was the overriding pressure to cut costs.<sup>48</sup> As one Alberta manager stated, budget restrictions meant they couldn't really "use performance measures." What was the point, after all, if the resources required to pursue excellence were unavailable? All that was possible, in the view of this manager, was to "measure the rate of decline" in public services.<sup>49</sup>

Within the CFHR division, Klein-era performance management meant the expansion of bureaucracy (in the form of economists, auditors, and record keepers) at the expense of front-line employees. The standardized method of evaluating all government services that was imposed by the provincial government displaced the systems in existence within the services themselves, invalidating the expertise and experience of employees. Some departments presented their completed business plans to the legislature only to be told they had failed to successfully master the specialized terminology of performance management, for instance mistaking objectives for goals and outcomes for processes or outputs.<sup>50</sup> Numerous commentators have noted that the time-consuming process of learning a new evaluatory framework is frustrating for many civil servants, who would prefer to focus on tasks more closely linked to service delivery.<sup>51</sup>

Managers in CFHR reported that Klein-era performance management led to a preoccupation with appearing to achieve good results in evaluations, even at the expense of realizing broader goals.<sup>52</sup> An example from the experiences of provincial staff working in the heritage field highlights this problem. Visitor numbers were identified as a key means of evaluating the success of certain CFHR programmes, such as managing heritage sites. Staff recognized that abandoning an accurate rendering of Alberta history in favour of a dramatic rendering invoking the 'wild west' themes popularized by Hollywood would likely increase visitation.<sup>53</sup> While staff resisted adopting this tactic, the example serves to highlight the perverse incentives often inherent in performance management. Alberta's experience under the Klein government suggests that performance management has the potential to create a situation where, preoccupied with achieving measurable results, larger goals are set aside.

Klein-era performance management produced an enormous quantity of data. However, academic experts David Cooper and Ken Ogata have observed that, "political interest in such information for decision-making purposes has been limited."<sup>54</sup> This is consistent with the findings of scholars who surveyed American jurisdictions that employed similar reporting practices.<sup>55</sup>

48 David Cooper and Ken Ogata, "New Public Management Reforms in Canada: Success and Failure?" in *International Public Financial Management Reform: Progress, Contradictions and Challenge*, ed. James Guthrie, Christopher Humphries, L.R. Jones and Olov Olsen (InformationAge Press: 2005).

49 Oakes, Townley and Cooper, "Business Planning as Pedagogy," 1061.

50 Oakes, Townley and Cooper, "Business Planning as Pedagogy."

51 SteevesAdvisory Inc., "Results Based Budgeting: Breaking the Trade-Off Between Price and Performance Through Public Sector Innovation," June 2012.

52 Barbara Townley, Leslie Oakes and David Cooper, "Performance Measurement and the Rationalization of Organizations," *Organization Studies* 24(7) (2003): 1045-67.

53 Ibid., 1061.

54 Cooper and Ogata, "New Public Management Reforms in Canada," 76.

55 Ibid., 76.

A close look at on-the-ground outcomes of Alberta's past experiments with performance management makes clear that such processes do not necessarily result in positive change for Albertans.

### III.3 PRODUCING INADEQUATE DATA

Many of the services offered by the Ministry of Human Services are among those to be examined first under RBB. Human Services is a so-called “super-ministry” with wide-ranging responsibilities, including child and family services, employment, homelessness, and welfare. Human Services also stands to be significantly reshaped through the provincial government's new Social Policy Framework, which was adopted in February 2013. Clearly, the provincial government views Human Services as a ministry in flux. This section draws on conversations with employees in Human Services to highlight their concerns with the RBB process. It deals primarily with the challenges inherent to performing adequate evaluations of public services.

The Ministry of Human Services provides services to particularly vulnerable Albertans, including those suffering with mental illness, poverty, and unemployment. Human Services delivers a set of services that, while essential, are particularly difficult to evaluate, in no small part due to the fact that many clients face multiple and overlapping challenges. In cases of mental illness or developmental delays, for instance, success can mean maintaining an established level of functioning or avoiding further difficulties, rather than improved health or greater self-sufficiency. Particularly because clients often require the support of various services, even clear success is often hard to attribute to any particular program.

Employees within the Ministry of Human Service are fully aware of the challenges to measuring success in their field – and also of the need to do so in meaningful and appropriate ways. The division of Human Services focused on supporting persons with development disabilities has been actively working to develop a method to evaluate the effectiveness of their services. In October 2011, after three years of work, Human Services launched “My Life: Personal Outcomes Index,” a survey-based tool designed to measure quality of life for persons with development disabilities.

Since its launch, significant time and effort has been invested in evaluating whether the Personal Outcomes Index produces useful information that accurately reflects the lives of persons with development disabilities. Staff-members are currently engaged in determining the effectiveness of the survey by testing it in one section of the province, with the goal of improving it while it is rolled out elsewhere. Ensuring useful and accurate data, while time-consuming, is necessary to guard against the adoption of inappropriate

measures, which could lead to both a waste of resources and harm to vulnerable Albertans. Staff-members indicate that, in light of the complexity of the task, efforts to accurately gauge success remain preliminary.<sup>56</sup>

Given that the Ministry of Human Services is currently midstream in a carefully-designed, multi-year effort to measure the effectiveness of services to persons with developmental disabilities, it is not surprising that staff-members are sceptical about the possibility that the RBB process could, within a far-shorter time-frame and without extensive expert advice, generate meaningful methods to judge outcomes, not only within services for persons with development disabilities, but also across the Ministry of Human Services, and even across the entire provincial government. Even a recent analysis of RBB in Alberta from PricewaterhouseCoopers, an organization sympathetic to performance management and positioned to benefit from opportunities to undertake contract work related to RBB, reinforces the concerns of civil servants by underlining how the RBB “process takes time.”<sup>57</sup>

Drawing comparisons between the development of the Personal Outcomes Index and the RBB process highlights other key differences. Critically, the Index was developed with the input of individuals with developmental disabilities, families, service providers, experts in survey development, and Human Services staff. This wealth of knowledge has not been engaged in the RBB process. Indeed, according to staff in Human Services, leaders within the community of people with disabilities have been excluded from the RBB process. The experience gained through the Personal Outcomes Index process is not being incorporated into the development of the RBB system. This has led service providers to worry that the RBB process might have significant negative consequences for some of Alberta’s most vulnerable populations.<sup>58</sup>

Typically, civil servants embrace enhanced reporting if it is appropriately resourced and designed to measure the right things for the right reasons. As the development of the Personal Outcomes Index demonstrates, designing appropriate measurement requires a significant investment of resources. Given the short time-frame made available, and the exclusion of experts from within the civil service and affected communities, there is reason to fear that Alberta’s RBB process will produce only inadequate data at substantial cost.

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56 Personal communication between anonymous Government of Alberta staff and Diana Gibson, April 2013.

57 PricewaterhouseCoopers, “Results-Based Budgeting: Delivering Results Responsibly,” 2013.

58 Personal communication between anonymous Government of Alberta staff and Diana Gibson, April 2013.

### III.4 Conclusion

RBB is an attempt by Alison Redford's Progressive Conservative government to justify its continuing efforts to reduce government spending on and responsibility for social welfare. The government has framed the process as an objective quest for gains in efficiency and effectiveness, yet the process is designed in ways that will almost certainly lead to the losses in efficiency and effectiveness that are typically associated with public sector cuts and privatization.

Recall that one of the key shortcomings emerging from a review of performance management efforts undertaken elsewhere is the failure to bring about meaningful change in budgeting processes. Certainly, evidence indicates there is reason to fear that the RBB process will fail to achieve greater efficiency and effectiveness in public services. But the real risk in Alberta is different. Of significant concern is the possibility that RBB will succeed as a justification to drive forward the provincial government's political agenda. Ultimately, RBB amounts to a smoke screen intended to facilitate the advance of the provincial government's goal of privatizing and cutting public services.

## 4. Conclusions and recommendations

Ensuring that all Albertans are able to access high-quality, efficiently-delivered services is a provincial government responsibility. The evidence, both from within Alberta and elsewhere, indicates that RBB is not likely to improve the ability of the provincial government to fulfill that responsibility.

Performance management techniques such as RBB do not have a track record of successfully bearing out the lofty rhetoric of proponents. A survey of performance management precedents indicates problems such as:

- a.** The pretense of unbiased objectivity, which can serve to disguise the need for ongoing critical engagement with public policy issues by both policy-makers and the public.
- b.** The challenge of measurement, which represents a substantial barrier to generating useful information through performance management techniques.
- c.** Increased administrative burden and rising costs, which can absorb significant resources that might otherwise have funded service delivery.
- d.** Failure to bring about meaningful change, which means that government budgeting practices are left largely unchanged.

In sum, it is clear that governments concerned with efficiency and effectiveness might do better to avoid highly problematic performance management techniques such as RBB.

In adopting RBB, the provincial government is working to justify a long-standing policy direction. Because of this, RBB is not constructed as an open-minded attempt to determine how to provide public services most effectively and efficiently. Rather, as is increasingly evident in political rhetoric, RBB in Alberta is an effort to present privatization and public sector cuts as if they were the outcome of an unbiased, objective assessment of how to improve public services.

An examination of earlier performance management efforts in Alberta underlines the potential of performance management techniques such as RBB to substantially increase bureaucracy, which can erode the capacity of a government sector to perform its role effectively and efficiently. Conversations with civil servants working in parts of the government currently undergoing the RBB process indicate that many are seriously concerned about the likelihood that the RBB process will fail to result in meaningful improvements to the efficiency or effectiveness of public services.

A more appropriate effort to ensure quality in Alberta's public services would look at how to get maximum value for citizens through the delivery of accessible programs. Such an effort would require a commitment on behalf of government to work cooperatively with public sector employees, citizens, and the community to determine what levels of services should be available, and then to establish a provincial revenue stream adequate to cover the costs.

Should the government be unwilling to undertake such a dramatic about-face, there are some more moderate steps that can be taken to improve the current situation. The government of Alberta should:

- 1.** Pause the implementation of the RBB process until it is determined through an appropriate assessment if the process is likely to provide valuable information in a cost effective way. This assessment should be conducted in a fully transparent manner.

If, following this assessment, the government decides to proceed with RBB, the government then should:

- 2.** Ensure adequate staff, funding, and time for the RBB process, in order to allow for careful and robust assessments of government functions.
- 3.** Ensure that RBB or any performance management process fully utilizes all resources internal to the civil service, and reconsider the involvement of private sector advocates such as the Centre for Priority Based Budgeting.
- 4.** Commit to making public all key documents relating to the RBB process, including draft review plans, finalized review plans, and whatever feedback or evaluations are provided by Challenge Panels.

## **Appendix**

Under Alberta's Results-based Budgeting Act, all government services were grouped under one of 12 lines of business. Each line of business was accorded a Line of Business Working Group [LBWG], comprised of representatives from the various ministries included within the line of business. A lead ministry is identified for each LBWG, with the minister acting as coordinator.

A LBWG is expected to develop a review plan for its line of business. Review plans are to identify the specific results that the relevant services are expected to deliver, and then specify the metrics that will be used to assess the effectiveness and efficiency of each. Notably, because of how they are developed by each LBWG working in isolation, review plans may differ substantially among lines of business.

Each line of business is assigned an external review panel, termed a Challenge Panel. These panels are made up of government MLAs and private sector representatives. Challenge Panels are to assess the review plans developed by the LBWGs and to suggest modifications as thought necessary.

With an approved review plan in place, the work of assessing government programmes and services moves ahead. Once the assessment is complete, LBWGs present the results to their assigned Challenge Panels, which undertake an evaluation of the findings. Challenge Panels then communicate with the Treasury Board, the body responsible for the financial operations of the Alberta government, and adjustments to funding may result.







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