

Article

Performance Budgeting in Context: An Analysis of Italian Central Administrations

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Abstract: The impact of financial austerity in many countries and the need to set the direction for governments have radically changed several aspects of Public sector management (Rubin and Willoughby 2014; Anessi-Pessina et al. 2016). A central component of this effort to transform public management involves using strategic planning and performance measures for budgeting decisions (Joyce 1997). Over the last decade, there has been an increase in the use of performance budgeting at the national as well as at subnational and local level, with varying approaches and results across countries (Bleyen et al. 2017; OECD 2017). This article analyzes the dynamics of strategic planning and performance management practices in relation to the budgeting processes in the context of the Italian central government, with the aim of evaluating whether a predominant integration model is apparent in relation to those used in different countries at the OECD level. Starting in 2009, reforms concerning the implementation of performance management tools in the Italian public sector have been promoted and revised, although the need to fully integrate the performance and budgeting processes looks urgent. Based on data from Italian Ministries, this article analyzes the type of relationship and the degree of coherence between adopted strategic plans and budgets. The results show the persistence of a prevalent misalignment between planning and budgeting. Data that were collected from the analysis of strategic plans and budgets from ten Ministries depict a patchy situation, in which some ministries integrate the processes defining a consistent and comparable model, while some others do not. In the conclusions, areas for improvement of the process are identified, while providing policy implications.

Keywords: strategic management; performance management; performance-based budgeting

1. Introduction

Throughout the 1970s and into the 1980s, the impact of financial austerity in many countries and the need to set direction for governments has radically changed many aspects of public sector management (Rubin and Willoughby 2014; Anessi-Pessina et al. 2016).

A central component of this effort to transform public management involves using performance measures to fundamentally change the decision processes of government, including those that are related to resource allocation (Joyce 1997).

Indeed, reforms to integrate performance information into budgetary decision making and resource allocation date back to the early twentieth century, when the National Municipal League, the U.S. Census Bureau, and the New York Bureau of Municipal Research in the United States advocated the use of municipal statistics and cost-accounting information to improve the efficiency and effectiveness of government spending and program operations (Williams 2003, 2004; Halachmi 2005). However, it was not until the late 1940s that the concept of performance budgeting was more formally defined in the United States (Ho 2018). Similar efforts were quite widely launched in OECD countries

from the second half of the nineties, with the United Kingdom, Australia, and New Zealand as leaders in piloting many key reform ideas, while, especially over the last decade, there has been an increase in the use of performance budgeting at the national as well as at subnational and local level (Bleyen et al. 2017).

United Kingdom, Australia, and New Zealand are among those that are generally considered to be at the forefront of performance-based management reforms. These countries have, to varying degrees, embraced what has generally been termed the “New Public Management” approach (Hood 1991, 1995), whose ideas play an important role in shifting from an input orientation towards a more output and result oriented type of management (Bleyen et al. 2015; Kuhlmann and Bouckaert 2016).

In the era of NPM, the performance budgeting concept, which in its broad sense involves the inclusion and use of performance information in budget preparation, decision making, and execution (Curristine and Flynn 2013), has been revitalized and became increasingly attractive for various governments (Anessi-Pessina and Steccolini 2005).

Italy has generally lagged behind (Meneguzzo and Mele 2008; Ongaro 2011), adopting and implementing NPM reforms with almost a decade of delay as compared to the Anglo-Saxon countries, taking impulse from a series of normative measures that aimed at affirming the introduction of managerial logics in the system of public administrations (Borgonovi 2004). Managerial reforms have been introduced by legislation consistent with the bureaucratic and legislative tradition of the Italian public sector, which, therefore, has been reinforced (Anessi-Pessina and Steccolini 2005). Accordingly, the legalistic and bureaucratic model that has prevailed in the public sector over time has influenced the adoption, implementation, and current extent of use of NPM-inspired changes, including performance budgeting. Within the broader public sector reform process, budget reforms in the 1990s sought to control the growth of public expenditures and improve public sector performance; in the 2000s, these practices developed further, in conjunction with the reinforcement of performance systems, giving rise to modern performance budgeting systems (Mauro 2019).

This article will provide insights into strategic planning and performance management practices in relation to budgeting processes in the context of the Italian central government, with the aim of evaluating whether a predominant integration model is apparent.

More specifically, based on the analysis of planning and implementation documents of Italian Ministries, this article analyses the type of relationship and the degree of coherence between adopted strategic plans and budgets, while using official documents that represent the result of the planning phase and the baseline for the implementation of the two processes. The results show the persistence of a prevalent misalignment between strategic planning, performance management, and the budgeting process, while there is no evidence that performance information has been incorporated within the budgeting process, or used for budget decisions. Data that were collected from the analysis of strategic plans and budgets from ten Ministries depict a patchy situation, in which some ministries integrate the processes defining a consistent and comparable model, while some others do not.

In the conclusions, the areas for improvement of the process are identified, while providing policy implications.

2. Linking Strategic Planning, Performance and Budgeting

Budgeting is a core process in the management of any organization. Challenges facing public sector organizations and, in particular, those that are related to austerity policies, have highlighted a need to recognize that budgeting should go beyond the management control issue of keeping expenditure in line with funding. Therefore, over time, public budgets have taken on different roles, becoming tools for bargaining and allocating power, for planning and controlling, for providing impulses to the economic and social environment, and for ensuring transparency and stakeholder involvement (Sicilia and Steccolini 2017; Saliterer et al. 2018). This multiplicity of functions has translated into a variety of budget formats and bases and in increasingly complex budgeting processes.

A key element of a budgeting system is its relationship with strategic management—in particular, with strategic planning—and performance management. In many different settings and different ways, theorists have often noted strong links between these three themes and enhancements to the budgeting process can assist in strengthening both (Prowle 2014).

2.1. Strategy and Performance

As Steiss (1985, p. 9) defined it, “strategic management is concerned with deciding in advance what an organization will do in the future (planning), determining who will do it and how it will be done (resource management), and monitoring and enhancing ongoing activities and operations (control and evaluation)”.

Strategic planning is considered by some scholars to be the principal element, or even the cornerstone, of a strategic management system, and it is of particular importance in the budgeting process (Vinzant and Vinzant 1996; Poister and Streib 1999). Indeed, in the context of budgeting, planning involves the determination of objectives, the evaluation of alternative courses of action, and the authorization of select programs (Schick 1966).

It is only recently that strategic management has received attention within the public administration literature and the field is still developing (Ferlie 2003; Johanson 2009; Hansen and Ferlie 2016).

However, one thing that has become increasingly clear is that strategic management in the public sector has not been an isolated or stand-alone development. In part, this is apparent from the studies showing the importance of integrating strategy and performance management (Andrews et al. 2012; Poister and Streib 2005; Poister 2010).

The strategic plan defines the performance to be measured and help to define appropriate performance indicators, while performance measurement provides the feedback that keeps the strategic plan on target.

Thus, since strategic planning looks ahead toward desired goals and performance measurement looks back at achievements, they should be tightly connected to strengthen both processes (Dusenbury 2000).

Linking strategic management and performance management processes effectively, in a reciprocating relationship in which strategizing is aimed largely at defining and strengthening overall performance and performance monitoring helps to inform strategy along the way, is essential for public agencies to significantly increase their capacity to meet new and unforeseen challenges and create public value over the years (Poister 2010).

Therefore, the model of integrated strategic planning and performance measurement not only improves management. Once in place, it is also the foundation for implementing results-based budgeting (Dusenbury 2000).

2.2. Integrating Performance into the Budgeting Process

Performance measurement can help public officials to make budget allocations (Behn 2003).

One of the enduring challenges of describing the planned linkages between performance data and the budget is terminology. Results-based (or oriented) budgeting, performance budgeting, and performance-based budgeting are some of the labels that are commonly given to the use of performance measures in the budgetary process (Behn 2003; Joyce 2011). We will refer to all of these instances as “performance budgeting”.

Performance budgeting involves “procedures or mechanism intended to strengthen links between the funds provided to public sector entities and their outcomes or outputs through the use of formal performance information in resource allocation decision making” (Robinson and Brumby 2005, p. 5).

In theory, performance budgeting presents some major advantages. Through the use of strategic planning and performance measures, it is expected to enable government effectiveness to be assessed, to improve budgetary decision making by allocating resources based on actual performance, and to stimulate management effectiveness by providing managers with an accountability tool

(Rodriguez and Bijotat 2003, Gilmour and Lewis 2006, Nemeč and Vries 2019). In fact, while traditional budgeting shows where the money was spent, but it does not give any idea as to the results of this spending, performance budgeting, in its most advanced form, is expected to address this gap, informing all the stakeholders on what a public body is trying to achieve and ideally resulting in budget allocations that more closely reflect the relative merit of the programs (Gilmour and Lewis 2006; Nemeč and Vries 2019). By its use, governments report having been most successful in advancing accountability and transparency and promoting a culture of performance (OECD 2017).

However, the existing body of research highlights decades of skepticism and many failures in its long history of evolution, despite some exceptions (Ho 2018). Bleyen et al. (2017) mention some of the problems encountered in implementing performance budgeting. Most governments face difficulties in providing decision makers with credible, relevant, and timely information (e.g., Johnsen 2005; Jackson 2011). Even the functional use of performance information proves to be contestable (e.g., Grossi et al. 2016; Raudla 2012; Taylor 2009). Moreover, the information is used more for accountability purposes than for steering and control, and users might lack the expertise to use performance information in a proper manner (Taylor 2009; Van Helden and Reichard 2016). A varying degree of reform implementation, external pressure, or pressures to look modern, institutional arrangements, path dependencies, experience, and internal political-administrative culture are possible explanations for implementation gaps (e.g., Di Maggio and Powell 1991; Olsen and Peters 1996; Christensen and Lægveid 2001).

Performance budgeting implementation needs to be embedded in a broader performance management framework that consists of three steps: measurement, incorporation, and use of performance information (Bouckaert and Halligan 2008). The measurement of performance information is the systematic collection of performance-related data; incorporating performance information in the budget process mainly refers to the manner in which the information is included in the budget and the connection that is established between performance and financial information; the use of performance information in budget practices refers to the influence of this inclusion on the budgeting procedure and especially on resource allocation (Demeulenaere et al. 2013).

The OECD experience suggests that performance budgeting is more likely to flourish and be effective when it forms part of a broad-based performance management system rather than as an isolated initiative (OECD 2018).

It is evident that strategic management, performance management, and budgeting are distinct but intertwined activities. The performance budget form increases the importance of strategic management, because organizations' survival, to a larger extent, now depends on their performance (Hansen and Ferlie 2016).

Performance budgeting cannot begin until a system of performance measurement has been established. Performance measures are, in turn, also an integral part of strategic planning that "...looks ahead toward desired goals ... Combined, strategic planning and performance measurement ...form a circle—a continuous process of governing-for-results" (Dusenbury 2000, p. 1). Therefore, each process reinforces and strengthens the others (Rubin and Willoughby 2014).

3. Models of Performance Budgeting

The introduction of a performance focus to budgeting has proven to be a powerful idea with applications in different levels and sectors of government.

There is no unique model of performance budgeting; OECD governments have adopted different models and approaches, depending on their own national capacities, cultures, and priorities (Curristine et al. 2007).

An important factor in promoting the use of performance information in budgetary decision making is the method that is used to integrate it into the budget process. Based on the framework suggested by the OECD, ways to incorporate performance measures in budgeting can be classified into three types: presentational performance budgeting, performance-informed budgeting, and direct

performance budgeting (OECD 2007, 2018; Curristine 2005; Downes et al. 2017) (Table 1). Depending on the adopted approach, countries can seek to link performance information to decisions on resource allocation not at all, loosely, or tightly.

Presentational performance budgeting simply involves the addition of some performance information (performance targets or performance results) to the usual financial documents, for the purpose of increasing the transparency and accountability generated by those documents. Performance information does not play a role in decision making on allocations. This use has made the definition of performance budgeting wider and looser, shifting the focus from a model in which performance measures in budgeting are emphasized, to one that simply focuses on the reporting of performance measures in public budget documentation, or a performance budget as any budget that represents information on what agencies have done or expect to do with the money provided to them (Jordan and Hackbart 1999; Schick 2003; De Vries et al. 2019). Recent literature shows that countries, such as Estonia (Raudla 2012, 2016) and Poland (Postula 2013; De Jong 2016), display the use of this form of performance budgeting.

Performance-informed budgeting offers indirect linkages between the allocated financial resources and proposed future performance or to performance results. In this option, performance information, while not having a predefined weight in budget decisions, is important. Indeed, performance-informed budgeting is intended to have at least some impact on decisions in resource allocation, rather than merely serving as an analytical tool (Schick 2007). It serves the goal of increasing the probability that information regarding the efficiency and efficacy of expenditures is taken into account (De Vries et al. 2019). This has also been highlighted by Moynihan (2006, 2008), who suggests that there is and should be at least a dialogue on the performances as measured, before they can be incorporated into the budgeting process. In that dialogue and in the politics that are involved in the budgeting, performance information can be relevant. Scott (2010, p. 32) adds that “what all attempts at performance budgeting have in common is the attempt to increase the influence of policy analysis, strategic decision support, and performance information in the budget system.” . . . and, “It should also be remembered that while better budget systems can promote better decisions by politicians . . . Good budget systems do not lead by themselves to strong fiscal stances and optimal final outcomes. At the end of the day, sound policy decisions make the difference, and mastering both the technical and political side of the equation is paramount”. This is the prevalent approach towards performance budgeting in countries, such as Australia, France, the Netherlands, and United States (U.S.) (Moynihan and Beazley 2016).

Finally, in direct performance budgeting (or performance-based budgeting) performance information is provided with the financial information, and there is the expectation that performance, relative to previously stated objectives, will have direct consequences for budget allocations. This approach is used in a limited number of OECD countries and only in specific sectors. Examples include formula-based funding and voucher systems in education and health services, e.g., payments for primary care (the United Kingdom, New Zealand, Chile, and many others), hospital funding based on outputs and per-student funding for schools, vocational institutions, and universities in many countries (e.g., technical schools and universities in Denmark and Finland, higher education in Hungary) (Scott 2010).

More recently, a fourth broad category has been identified, managerial performance budgeting, whereby performance information is generated and used for internal managerial purposes and organizational/managerial accountability, with a lesser focus upon the linkages with budget allocations (Downes et al. 2017).

Evidence from OECD countries confirms that performance budgeting practices tend to fall into the first and the second categories, even if it shows slightly different results when compared to findings in literature. More specifically, in a 2018 OECD Survey on performance budgeting approaches, 10 countries (Australia, Belgium, Germany, Denmark, Spain, Italy, Poland, Slovakia, Slovenia, and Turkey) report having adopted the presentational approach, 12 countries (Sweden, New Zealand, Netherlands, South Korea, Japan, Ireland, Hungary, France, Czech Republic, Chile, Switzerland, and Austria) the

performance-informed approach, and eight countries (Canada, Estonia, Finland, Great Britain, Iceland, Latvia, Mexico, and Norway) managerial performance approach. No OECD country identifies itself as a practicing direct performance budgeting, which reflects the difficulty of making direct links between performance and the level of resources provided. Greece, Luxembourg, and Portugal do not have a Performance Budgeting Framework in place (OECD 2018).

Table 1. Performance budgeting models.

Type	Linkage between Performance Information and Funding	Planned or Actual Performance	Main Purpose in the Budget Process
Presentational	No link	Performance targets and/or performance results	Accountability
Performance-informed budgeting	Loose/indirect link	Performance targets and/or performance results	Planning and/or accountability
Direct/formula performance budgeting	Tight/direct link	Performance results	Resource allocation and accountability

Source: OECD (2007).

This framework is very helpful in understanding performance budgeting practices, especially when one tries to provide a more in-depth look to different countries' contexts and it has been frequently used in literature (see, for example, Moynihan and Beazley 2016; De Vries et al. 2019). Thus, within this framework, the model that best fits the Italian case will be identified and analyzed.

4. Research Aims and Methodology

The primary aim of this article is to analyze the dynamics of strategic planning and performance management practices according to budgeting processes in the context of the Italian central government, evaluating whether a predominant model is apparent and then contrasting it with those in use in other Countries. We conduct a qualitative documental analysis comparing ten of the thirteen Italian Ministries in order to answer this research question. The reason why we exclude three Ministries is related to the availability, at the starting date of the research, of the essential documentation needed to conduct the analysis. Additionally, not included in the study are Ministries "without portfolio" that do not prepare a budget and do not have at their disposal a fully structured organizational body (Cepiku et al. 2012). Our final sample includes the Ministries that are listed in Table 2.

Table 2. Italian Ministries part of the analysis and Acronyms.

Ministries	Acronym
1. Ministry of Health	MS
2. Ministry of Labor and Social Policy	MLPS
3. Ministry of Public Education, Universities and Research	MIUR
4. Ministry of Foreign Affairs and International Cooperation	MAECI
5. Ministry of Interior	MI
6. Ministry of Defense	MD
7. Ministry of Economic Development	MISE
8. Ministry of Infrastructure and Transport	MIT
9. Ministry of Cultural Heritage and Activities	MIBAC
10. Ministry of Justice	MG

Performance budgeting appears as the result of the coordination of two cycles: the performance cycle and the budgeting process (Bianchi and Xavier 2017). All of the Ministries are obliged by law to formulate the own preliminary budget before the end of September (year n-1). The formalization of the budget by the Parliament represents for each Ministry the starting point for designing the strategic document, which has to be concluded before the end of January. Usually, not all Ministries are successful in respecting these publication deadlines.

Italian central government performance management systems were the subject of reform in 2009 (law no. 15/2009 and decree no. 150/2009) and 2017 (law no 124/2015 and decree no. 74/2017). Italian Ministries are expected to manage their “performance cycle” by planning, implementing, measuring, and assessing the performance at both the individual and organizational levels, while using performance information to enhance public services and foster the overall performance of public administrations (Cepiku et al. 2017; Mauro 2019). Yearly (before the end of January), each Italian Ministry has to formulate and publish a “performance plan”, consisting of the strategic planning for the following three years. The performance plan is a three-year strategic document that has the primary aim to identify the performance indicators and targets for each objective, set according to the policies defined by the Minister (Mauro 2019). Following the guidelines that were provided by the Italian government (published in 2017 by the Italian Department of Public Administration), they normally include the mission and vision of the Ministry, giving an overview of the internal and external context and relevant stakeholders, and establishing organizational and individual performance objectives with related indicators.

We also take into account Ministries’ “Integrative Notes” in order to examine the relationship between performance management practices and budgeting processes. An Integrative Note is the three-year budget document that each Ministry has to prepare yearly and it is attached to the national budget estimates. Each year, starting from the national budget draft Law, Ministries are called to formulate a preliminary version of their Integrative Notes. After the national budget Law approval by the Parliament (December), each Integrative Note is updated. Our interest addresses these final versions of the Integrative Notes. During the last decades, the structure of the budget was changed to increase the connection between resource allocation and performance information (Mauro 2019). As opposed to the performance plans, which are shorter and easy-readable documents, budgets are still intricate and not easy to read, with numerous expenditure items. The reform that was introduced by the Ministry of Economy and Finance (law no. 196/2009) classifies budgets into missions and programs. This classification aims at improving allocative and operative efficiency and increases the knowledge of the public spending goals improving transparency and accountability. A mission indicates the ultimate purpose for which resources are allocated and it usually includes several programs, which are homogenous groups of activities by which a mission can be achieved. While different administrative units could share the achievement of a mission purpose, only one could be responsible for each program. The Integrative Notes indicate, within each program, the objectives to be reached, with related indicators and targets, and the resources allocated to each objective in order to underline the link between strategy and budget. Importantly, such objectives are not necessarily correspondent to the ones that are stated in Performance Plans. Furthermore, in 2017, a reform introduced one more level of disaggregation in the State budget, named “action”. Actions break down the total sum allocated to a single programme into one to four units, which are the object of parliamentary approval.

We decided to analyze the degree of integration between budget documents published before January 2019, which provide the budget for the following three years (from 2019 to 2021), and the related performance plans (2019–2021) that had to be published before January 2019. We limit our analysis to what is provided for the first year of the planning. We create an individual dataset for each Ministry in order to understand the potential prevalence of one or more model of integration between strategic and budgeting processes.

The objectives and related indicators are our unit of analysis for both Performance Plans and Integrative Notes. Despite the distinctive aim of the documents, we expect Performance Objectives (POs) and Budget Objectives (BOs) to be connected following unique or different integration models. As mentioned above regarding Performance Plans, each PO could be associated with more than one administrative unit, because performance plans aim to design the performance of the Ministry as-a-whole, although this is not a formal requirement. On the opposite, within Integrative Notes, each BO must be associated with one specific program and consequently one administrative unit of the Ministry.

First of all, for each of the ten Ministries, we create an individual dataset in which we record information from both the Performance Plan and the Integrative Note, limiting the collection to the first year of planning. Respectively, the documents give dissimilar information. On the one hand, as regards the Performance Plan, we record all of the performance objectives (POs) and related policy priorities (if mentioned), indicators, and administrative units involved in the achievement of the objective. On the other hand, regarding the Integrative Note, we collect all of the budget objectives (BOs) and related policy priorities (if mentioned) and indicators, the program, the administrative unit responsible for the achievement of the objective, and finally the needed actions to achieve the planned results. Once we have collected all the objectives from both the documents, in order to understand if and how the provisions of the Integrative Note influenced the Performance Plan, link each PO to one or more BOs according to the following criteria:

- the potential conformity in the formulation of the objectives;
- the affiliation to the same administrative unit;
- the affiliation to the same policy priorities, if mentioned; and,
- the analysis of indicators, in terms of description and measurement tools.

To be sure of the identified connections between POs and BOs, for each Ministry, we decided to run two independent rounds of assessment. Starting from each PO, we try to identify the link (if present) with one or more BOs. Each round also consists of a binary evaluation (yes or no) of the quality of the objectives, assessing whether the objectives are formulated according to SMART categories, which are also required by the Italian law on performance. The Italian reform on public performance management (2009) stated that objectives must be:

- relevant concerning societal needs, the institutional mission, policy priorities, and organizational strategies;
- specific and measurable;
- improvement-oriented;
- related to the annual time-frame;
- compared or comparable with national and international standards;
- defined based on previous results; and,
- closely related to proper human, instrumental and financial resources (in terms of quality and quantity);

After the conclusion of the assessment phase, we categorize four modes of integration between POs and BOs, examining the logic of integration used by each Ministry, and considering the degree of alignment between strategic planning and budgeting, and which models. Within the next section, we provide quantitative and qualitative insights to offer an overview of the state of the art.

At the end of the two rounds of evaluation, contrasting the findings with the literature review on performance budgeting, we discuss possible areas for improvement of the process, along with potential policy implications.

5. Findings

We have collected a total of 178 POs from Performance Plans and 248 BOs from Integrative Notes. Concerning the quality assessment, only 46% of the POs were assessed as good quality objectives in relation to SMART features. As regards to BOs from Integrative Notes, only 46% of the objectives were positively assessed. Table 3 shows the quality assessment of each Ministry objectives, both from performance plans and integrative notes.

Table 3. Quality assessment (based on normative and SMART criteria) of objectives included in Performance Plans and Integrative Notes.

Ministry	Performance Plan		Integrative Note	
	No. Objectives	Positive Assessment	No. Objectives	Positive Assessment
MIBAC	7	100%	30	60%
MAECI	26	58%	26	58%
MLPS	7	29%	18	17%
MIUR	28	7%	29	41%
MIT	9	44%	28	43%
MISE	23	65%	25	56%
MS	20	30%	23	61%
MI	30	53%	37	51%
MG	15	50%	18	56%
MD	14	21%	14	21%
Tot.	178	46%	248	46%

The quality assessment process has provided some interesting insights. We can underline that approximately half of the objectives that were included in performance plans and integrative notes are not well formulated according to normative indications and the SMART framework. First of all, objectives that were negatively assessed often lack in terms of specificness concerning both the needs to be addressed and the broader strategy of the Ministry (mission, and policy priorities). Secondly, the negative assessment is also the result of a formulation that describes processes or activities, rather than an expected improvement.

Furthermore, by looking at the performance indicators that are related to the objectives, it is apparent that most of these are output-related indicators. Despite the irrefutable complexity in defining outcome-related performance indicators, this trend represents a significant weakness for Italian Ministries, because it does not foster the effective monitoring of outcome achievement along time. Insights from the quality assessment process confirm that a compliance-oriented attitude still prevails within the Ministries regarding the strategic planning, performance, and budgeting processes (Cepiku et al. 2012).

As mentioned above, we chose to use objectives (POs and BOs) as our unit of analysis in estimating the degree of integration between Performance Plans and Integrative Notes of any Ministry. We found that it is possible to categorize four types of integration:

1. Type 1: one PO is corresponding to one BO - the two objectives share the same formulation and there is not a hierarchical relationship between them;
2. Type 2: one PO is included in a wider BO - it means that only a part of the BO concerns the PO;
3. Type 3: one PO is divided into two or more BOs - it means that each BO represents a part of the broader PO; and,
4. Type 4: one PO is not related with any of the BOs included in the Integrative Notes.

Within the four categories, Type 1 is the most direct and 'natural' system for integrating the two documents, even if it entails the risk of not considering the different role of the two documents; as mentioned, POs should represent overarching performance objectives, while BOs are linked to a single administrative unit. Type 3, for instance, introduces a hierarchy in which the PO drives an aggregation of several BOs. If we consider the specificities of the Performance Plan, in which objectives should represent higher, Ministry-wide strategic priorities, Type 3 could represent a viable option for integrated representation. On the other hand, Type 2 could allow for parts of the POs not to be represented in the wider formulation of the BOs—or, inducing an approach in which the financial management cycle is driving priority setting.

Table 4 shows, for each Ministry, the number of POs featuring each type of integration. For example, the Ministry of Public Education, Universities, and Research (MIUR) has: six POs corresponding to six

BOs (Type 1); 15 POs that are included in a number of much general BOs; one PO that is divided into two or more BOs (Type 3); and finally, six POs that do not display any connection with any of the BOs.

Table 4. Number of Performance Objectives (POs) per type of integration.

Ministry	No. POs	Type 1	Type 2	Type 3	Type 4
MIBAC	7	0	0	6	1
MAECI	26	26	0	0	0
MLPS	7	3	1	3	0
MIUR	28	6	15	1	6
MIT	9	1	0	8	0
MISE	23	23	0	0	0
MS	20	5	10	5	0
MI	30	30	0	0	0
MG	15	15	0	0	0
MD	14	14	0	0	0

Table 5 indicates the prevailing type of integration for each Ministry of our sample. It seems that the dominant type of integration is the one in which each POs is corresponding to only one BO. In this case, we can find perfect symmetry between the Performance Plan and the Integrative Note. It is relevant to point out that every Ministry has adopted an integration model (we do not find any corresponding to type 4). However, in some cases, we can find more than one model used by the same Ministry, such as the Ministry of Public Education, Universities, and Research or the Ministry of Health.

Table 5. Prevailing type of integration for each Ministry.

	Type 1	Type 2	Type 3	Type 4
MIBAC			X	
MAECI	X			
MLPS	X		X	
MIUR		X		
MIT			X	
MISE	X			
MS		X		
MI	X			
MG	X			
MD	X			
Tot.	6	2	3	0

6. Discussion and Conclusions

Although a budget setting process should be informed and influenced by the strategic priorities of the organization, this is not always done adequately and the budget-setting process is often effectively disconnected from the strategy (Prowle 2014).

Performance budgeting would offer Italian administrations the opportunity to promote consistency and reconciliation between budget allocation and policy priorities. A system that integrates strategic management and performance budgeting makes the purposes of spending clearer and provides information to guide ministries in making resource allocation decisions that are based on evidence of what works, as well as tools to make ministries more accountable for efficient and effective use of public resources. Moreover, such a system offers citizens and civil society organizations the prospect of greater transparency and accountability about the purposes and results of public spending, constitutes a tool for supporting citizens in making informed choices, and, by opening up the 'black box' of the budget, strengthens the basis for direct citizen engagement in the budget process.

While Italy has been classified as featuring a “presentational” model of performance budgeting by OECD (2018), multiple reform rounds have promoted the implementation of a closer link within the production of performance data and budgeting decisions in recent years, with a shift towards a performance-informed budgeting approach (De Vries et al. 2019). This has proven arduous both in terms of process and of results. The performance management cycle has seen several adjustments since the original 2009 reform, which first introduced an organic framework: most notably, the re-centralization of the body overseeing the process—from the ad-hoc, independent CIVIT commission, back to the Department of Public Administration. In 2017, the Department issued operational guidelines calling for, among other themes, the introduction of more realistic objectives and indicators, and for a closer link of performance information use in the budgeting cycle. Still, the latter governance issue has been steadily in control of the Ministry of Economics and Finance (MEF), which steers the process and standards behind the composition of budget and of objectives that are related to public expenditure.

Such a definite duality in the governance of the two cycles is likely among the causes of a heterogeneous picture. Even in the context of a presentational model, where no use of performance information for budgeting decisions is apparent, our findings point toward a substantial incoherence of how performance information is presented within the two cycles. The first reason for this is related to the quality of objectives and indicators, as presented in Table 3. Even if these results display a departure from the weaker data of the beginnings of the reform process (Cepiku et al. 2012), they still signal a long way to go in terms of capacity building with regard to strategic planning and performance measurement. Arguably, the capability for sound formulation and sense-making when establishing targets and indicators is a key prerequisite for integrating the two cycles.

Furthermore, and most importantly for the objectives of our study, confusion is still evident on the specific role of objectives that were formulated within the two documents. While POs (with oversight by the Dept. of Public Administration) should be aimed at capturing the ability of a Ministry to address fundamental policy issues and generate valuable outcomes, BOs (controlled by the MEF) are introduced as a way to signify the results that were achieved by means of public expenditure (MEF Ministry of Economy and Finance). While the two concepts obviously overlap, little guidance has so far been provided as to the existence of a logical or operational hierarchy between the two, or to the means of their integration. This situation is crystallized in our findings, where up to four different modes of integration between performance and budgeting objectives are actually in place. While Type-1 (full correspondence, or same formulation) is the more diffused, in use among six Ministries, the remaining five show an extensive use of a system in which either the budget objective is hierarchically overarching a number of performance objectives, or the other way round. In most of these cases, not all of the priorities and activities encompassed by either objective are fully represented in the other cycle, which makes it impossible to fully reconstruct the relation between performance measures and financial resources. As mentioned in the Findings, only three Ministries currently display a framework in which strategic objectives within the Performance Plans actually drive the definition of budget objectives. Still, the adoption of such a model does not seem to have a correlation with the quality in the formulation of such objectives (see Table 3).

Our study features some limitations, which could be addressed by further research on the topic. First, consistent with its explorative nature, it is only based on documental analysis. This entailed being able to only include in the analysis, the planning, and implementation stages of the strategic planning and budgeting processes. Further research could address the monitoring and use of performance information with regards to budgeting decisions. Since data on the incorporation and use of the information among the two processes are not officially disclosed, such analyses could then be carried out by also including primary qualitative data, such as interviews and case studies. Secondly, the analysis did not take into systematic consideration indicators that are associated with objectives in the performance plans and in the budget. Along with the formulation of objectives, indicators employed could also represent a measure of similarity or dissimilarity between the two documents. This aspect could be the focus of a further stage of this research.

It has been duly noted how the reform of performance budgeting in Italy should overcome the duality of its design, addressing the challenges that are linked to both performance management and budgeting procedures (Mauro 2019). This entails a dialogue between entities with oversight over the process, along with providing clear and purposeful guidelines to administrations that are involved. Other studies (Bianchi and Xavier 2017; Rebori et al. 2017) have also listed a rigid, top-down bureaucratic culture among the reasons for the limited diffusion of actual performance budgeting in the Italian context. Our study points towards the importance of establishing clear and shared principles for processes and information flows in order for these to ensure accountability, before opening up to the possibility of customized and more refined approaches to performance-informed budgeting.

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