From Budgets to Public Value:
Rethinking how governments allocate resources, manage performance and deliver better outcomes

By Michel Brekelmans

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Government agencies around the world face an increasingly difficult balancing act. Citizens expect high-quality public services, businesses expect an environment that supports growth and competitiveness, and governments themselves are being asked to address challenges ranging from ageing populations and healthcare costs to climate change, technological disruption and national security. At the same time, public resources remain finite. The question is therefore not simply how much government should spend, but how effectively those resources are converted into outcomes that matter to citizens and society.

Over recent decades, governments have become increasingly sophisticated in managing expenditure and measuring performance. Performance budgeting and spending reviews are now established practices across much of the OECD. In 2023, 28 of 33 OECD countries surveyed had some form of performance budgeting, while 34 of 35 had conducted a spending review. These tools are no longer experimental approaches at the margins of government finance; they have become important components of modern public-sector management.

The more interesting question is what happens next. Having established mechanisms to measure performance and review expenditure, how effectively are governments using the resulting information to make decisions about resources, priorities and programmes? The distinction matters because measuring performance is not the same as managing performance, just as reviewing expenditure is not the same as actively managing the value generated by that expenditure.

Corporate management has increasingly focused on value creation: to generate the greatest value from scarce resources.

Leading companies have faced a similar evolution. Financial control and annual budgeting remain important, but corporate management has increasingly focused on value creation: allocating capital across competing opportunities, measuring performance against strategic objectives, challenging underperforming activities and reallocating resources as circumstances change. The objective is not simply to minimise expenditure, but to generate the greatest value from scarce resources.

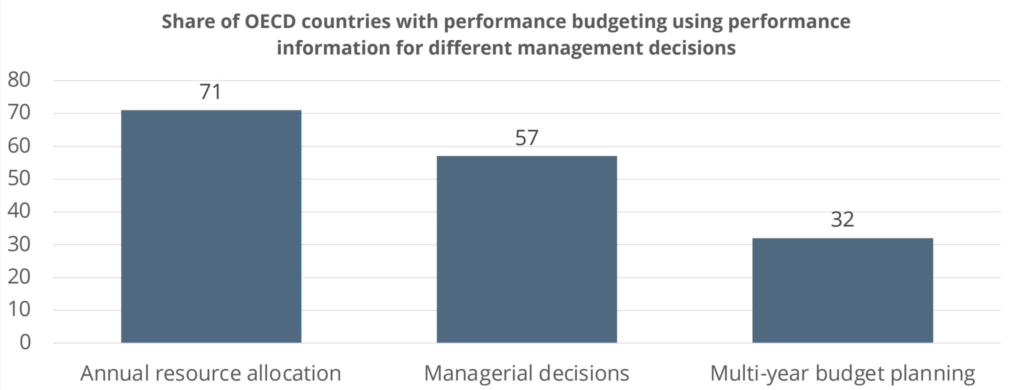
There is an opportunity to apply some of these management disciplines in the public sector, while recognising that the underlying objective is fundamentally different. Government should not be managed as though it were a business, and public value cannot simply be reduced to a financial return. The relevant question is how management practices developed to improve resource allocation, performance and accountability can be adapted to an environment where the ultimate objective is maximising public value from the resources entrusted to government.

From measuring performance to managing value

The increasing adoption of performance budgeting represents significant progress. Yet the extent to which performance information influences actual management and resource-allocation decisions varies considerably.

The OECD's 2023 survey provides an interesting indication of where the gap remains. Among the 28 OECD countries with some form of performance budgeting, 71% used performance information to inform annual resource allocation and 57% used it to guide managerial decisions. However, only 32% used performance information to inform multi-year budget planning. This suggests that the challenge is increasingly less about establishing performance information and more about embedding it deeply enough in the management system to influence decisions over time.

Exhibit 1: Performance information is not yet fully embedded in resource allocation



Note: Based on 28 OECD countries reporting some form of performance budgeting.
Source: OECD, Government at a Glance 2025, 19 June 2025; OECD Performance Budgeting Survey, 2023, SCP/Asia Research & Analysis

This distinction between measuring and managing performance is important. A government department may know how much it spends, how many people it serves and whether it has achieved its operational targets, while still having limited visibility on whether the underlying intervention is generating the intended outcome relative to the resources consumed. A programme may meet its annual targets and remain within budget without necessarily being the most effective way of achieving the policy objective.

Exhibit 2: From expenditure management to public value management

Traditional emphasis	Towards public value management
Manage expenditure against budget	Manage resources against desired outcomes
Measure activities and outputs	Understand outcomes and impact
Fund established programmes	Allocate resources according to strategic priorities and evidence
Review individual programmes	Manage expenditure as a portfolio
Optimise individual agencies	Improve outcomes across the wider system
Assess performance retrospectively	Use performance information to improve future decisions

A more value-oriented approach would connect the entire chain from government priorities and resources through activities and outputs to the outcomes that matter to citizens. The purpose is not to create a single metric that attempts to capture every dimension of public value, but to make the relationship between resources, activities and outcomes more explicit and therefore more manageable.

From programme funding to portfolio management

The second opportunity is to think about government expenditure as a portfolio rather than as a collection of programmes that are individually funded and subsequently reviewed. This is not an argument against the spending-review processes that are already widely used. Rather, it is about making those processes part of a broader management discipline in which the allocation of resources is continually tested against strategic priorities and expected outcomes.

Companies rarely assume that every business, product or investment should continue to receive the same level of resources indefinitely

Companies rarely assume that every business, product or investment should continue to receive the same level of resources indefinitely. They assess performance, consider future strategic importance and make decisions about where additional capital or management attention can create the greatest value. Government programmes require different criteria because their objectives are often social, economic or environmental rather than financial, but the underlying discipline of portfolio management remains relevant.

A public-value portfolio would therefore distinguish between programmes that are delivering strong outcomes and those where the underlying objective remains important but the delivery model is not performing as intended. Some programmes may warrant additional resources because their impact is demonstrably strong; others may need to be redesigned, consolidated or delivered differently. In some cases, the evidence may suggest that a programme has become less relevant as circumstances have changed.

The objective is not to apply a simplistic “winner and loser” approach to public programmes. Some programmes will remain essential despite relatively high costs because they fulfil fundamental government responsibilities or provide insurance against low-probability but high-impact events. Rather, portfolio management provides a structured way to make the trade-offs explicit and to consider whether incremental resources would generate greater public benefit elsewhere.

Exhibit 3: A public-value portfolio framework

	High Strategic Importance	Low Strategic Importance
Strong Outcomes/ Performance	**Scale:** consider additional resources where marginal impact remains attractive	**Sustain / Simplify:** maintain outcomes while seeking efficiency
Weak Outcomes/ Performance	**Redesign / Improve:** retain the objective but reconsider the intervention or delivery model	**Exit / Consolidate:** consider whether resources can be better deployed elsewhere

Spending reviews can play an important role within this portfolio approach. Across the OECD, their use has become almost universal, and their purpose extends beyond finding savings. In 2023, 80% of OECD countries with available information identified improving programme or policy effectiveness as an objective of spending reviews, while 40% used them to align expenditure with government priorities. The strongest systems therefore treat spending reviews not simply as fiscal-control exercises, but as mechanisms for improving effectiveness and reallocating resources.

The important question is whether the insights generated through these reviews are sufficiently connected to the broader management cycle. A spending review that identifies opportunities for improvement but has little influence on subsequent resource allocation or programme design captures only part of the potential value.

From annual budgets to dynamic resource allocation

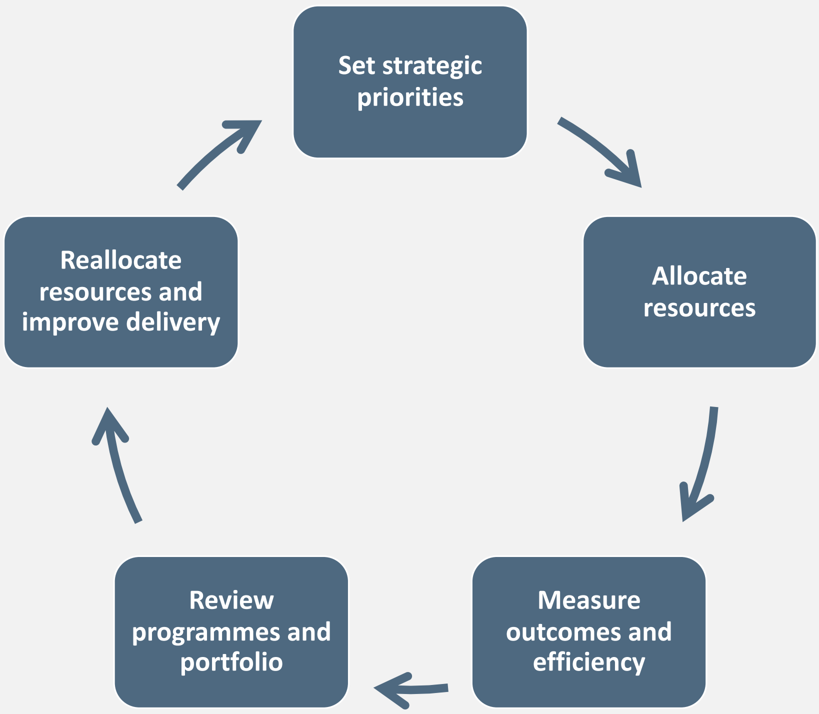
The third opportunity concerns the relationship between annual budgeting and the much longer time horizon over which public policies generate results. Annual budgets provide important discipline and accountability, but many government interventions take several years to produce measurable outcomes, while the external environment can change substantially during that period.

Leading companies therefore tend to separate the setting of strategic direction from the continuous allocation of resources. Once strategic priorities have been established, capital and management attention can be redirected as new information becomes available. The equivalent discipline in government would be to establish clearer review points for major programmes, use evidence from implementation to refine interventions and create mechanisms through which successful initiatives can be scaled while underperforming approaches are reconsidered.

This does not imply an automatic formula in which a programme's budget rises or falls according to a predetermined performance score. Public-sector outcomes are often influenced by factors outside the control of a particular programme, and important policy choices inevitably involve political, social and distributional considerations. Performance information should therefore inform judgement rather than replace it.

The opportunity is to make that judgement more systematic. For significant programmes, government could establish a clearer relationship between strategic objectives, resources, expected outcomes, milestones and subsequent review. This would create a stronger feedback loop between policy design, implementation and resource allocation.

Exhibit 4: The public-value management cycle



The cycle is particularly important for new or uncertain initiatives. Rather than committing substantial resources immediately, governments can use pilots and staged investment to build evidence before deciding whether to scale. This approach can help manage uncertainty while preserving the ability to pursue ambitious policy objectives.

From agency performance to whole-of-government value

A fourth opportunity is to move beyond the performance of individual agencies and consider how different interventions combine to produce outcomes for citizens.

Many of the most important public outcomes do not sit neatly within the responsibility of a single ministry or agency. Employment, health, ageing, business competitiveness, sustainability and social mobility can depend on multiple interventions delivered by different parts of government. Improving the performance of each organisation independently does not necessarily optimise the outcome for the citizen.

A company can improve the efficiency of individual functions while leaving the overall customer journey unchanged

This creates a familiar management challenge. A company can improve the efficiency of individual functions while leaving the overall customer journey unchanged or even making it more difficult. Governments face a similar issue when agencies optimise their own processes without considering the end-to-end experience or outcome.

A public-value perspective would therefore encourage government to identify the outcomes that matter most and then understand how different agencies and programmes contribute to them. This does not require eliminating organisational accountability. Instead, it supplements agency-level performance management with a clearer view of the broader system.

For example, a government seeking to improve employment outcomes might need to consider the combined contribution of skills development, employment services, employer incentives, transport access and social support. Each intervention can have its own KPIs, but the ultimate measure is whether the combination produces sustained improvements in employment and productivity.

This perspective is particularly relevant in countries where governments already operate with a strong whole-of-government orientation. Singapore, for example, has long emphasised prudent spending, value for money and the ability to evaluate expenditure and reallocate resources across government. The opportunity is not to introduce these principles from scratch, but how they can continue to evolve as government priorities become more complex and evidence on programme performance becomes richer.

Making public value a management discipline

Taken together, these shifts suggest that public value management is less about introducing another performance-management framework than about connecting disciplines that often operate separately. Strategy should establish the outcomes that matter; resource allocation should reflect those priorities; performance management should provide evidence on what is working; portfolio reviews should challenge the continued allocation of resources; and the resulting insights should feed back into future decisions.

Resources should be managed with an explicit understanding of the value they are intended to create

A mature system would therefore bring together five disciplines: strategic prioritisation, resource allocation, outcome-based performance management, portfolio review and continuous learning. The precise mechanisms will differ by country, policy area and government institution, but the underlying principle is consistent: resources should be managed with an explicit understanding of the value they are intended to create.

This also changes the questions that policymakers need to ask. Instead of only considering whether a budget was spent as planned, they can ask what outcomes were produced and whether those justified the resources consumed. Instead of looking only at whether a programme met its targets, they can consider whether it remains the most effective intervention for achieving the policy objectives. And when additional resources become available, the question becomes not simply where they can be spent, but where they can generate the greatest incremental public benefit.

The next frontier

The public sector does not need to become more like the private sector. Governments operate with different objectives, constraints and responsibilities, and many of the outcomes they seek cannot — and should not — be reduced to a financial return.

There is nevertheless considerable scope to adapt the disciplines that leading organisations have developed around resource allocation, performance management, portfolio review and continuous improvement. The next generation of public-sector management may therefore be less about developing ever more sophisticated measures of performance and more about ensuring that those measures influence the decisions that matter.

Ultimately, the test of public expenditure is not whether resources were managed efficiently in isolation. It is whether scarce resources were deployed in ways that produced the greatest possible benefit for citizens and society.

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Selected sources for this paper

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