

SEMINAR

ON

**RESULTS BASED BUDGETING:
OBJECTIVES, EXPECTED RESULTS AND PERFORMANCE INDICATORS**

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Check against delivery

RBB was fully implemented in the Council of Europe (CoE) in 2006. That means that the CoE was not exactly a pioneer in the area. Some national governments have used Results Based Budgeting or what was often called Planning, Programming, Budgeting and Reporting for 30 to 40 years. Also several international organisations have used RBB for a considerably longer time than the CoE, for instance the UN family.

In principle the change of the budgeting technic to RBB meant that focus would not primarily be on the input of resources but to a larger extent on the results the spending of the money was expected to produce.

Until 2006 the CoE had a traditional line item budget with chapters corresponding to administrative units. The purpose of moving from this traditional line item budget to a budget divided into programmes and results was twofold.

First, it was not considered to be an efficient control structure for the Committee of Ministers (CM) to decide in detail how much money the SG could spend on different expenditure categories. It was thought to be better that the CM should indicate the results to be achieved in different areas leaving the SG responsibility for the allocation of the appropriate resources to the detailed expenditure categories.

Second, it was thought that the operations of the CoE could be executed more efficiently if the operational management were able to allocate the available resources more freely between different expenditure categories.

In other words, the intention was, and is, to achieve a more relevant distribution of responsibilities between the CM and the Secretariat and also to make efficiency gains in the process. The political body should decide on what is to be achieved and the management should decide on how and with what kind of resources and actions this should be done efficiently and effectively. There is no reason to question the soundness of these fundamental assumptions.

But let me also stress that the transition from detailed line item input control to output and results oriented control did not mean that the CM would reduce or relinquish its overall control of the operations of the CoE. Instead the intention was that governance and control should be exercised in another and more relevant and effective manner. But the CM should keep away from micro-management.

Today the CM's control as regards the spending of funds on specified cost categories has disappeared with one important exception. The Ordinary Budget is a global sum which is divided into some 30 operational programmes. As regards input control related to cost categories there is one main global restriction, namely the overall staff costs. Staff tables and regulations underpin the overall salary ceiling. In practice, this means that the reduction of the input controls has gone as far as is feasible in order to provide the Secretariat flexibility in the implementation of the approved programme and budget.

But how far have we come with the implementation of an efficient results oriented control? Well, that is the subject of our seminar today. The assumption is, of course, that it is both necessary and possible to improve the results oriented control exercised by the CM. The Budget Committee (BC) has over the years on several occasions expressed the opinion that objectives and expected results have not been defined in a sufficiently rigorous manner.

I want to emphasize that results are used not only *ex ante* at the budgeting stage but also *ex post* when the management presents the achieved results. In the Progress Review Report management declares to what extent the expected results included in the programme and budget have been achieved. That is excellent! That is how it should be done.

However, it is crucial that the expected results and the performance indicators are adequate. It is of little relevance to state that 85 % of the expected results have been achieved if these results have only weak logical links to the objectives laid down for the different programmes. Examples of this can readily be found. I think that expected results and performance indicators should at least include an indication of services provided to the beneficiaries.

And, even more fundamental, the objectives in some cases are little more than descriptions of the activities carried out. As I see it, an objective must mean that a *change* is achieved in a specific situation. That is what MS pay for!

My general impression is that the status of the implementation of RBB in the CoE is somewhat unbalanced. The necessary leeway has been introduced to ensure that the Secretariat can carry out the operations in an efficient manner. However, the definitions of objectives, expected results and performance indicators have not yet developed in an equally successful manner. This reduces the possibilities for the CM to exercise its control. I think that today the CoE has the experience and the knowledge necessary to improve the situation.

When we had the traditional line item budget and input control the external auditor's scrutiny and opinion on the financial accounts and the budgetary management accounts was crucial. His opinion was the main input for the accountability process concerning the SG's management. And it still is. But today accountability also regards the extent to which the expected results have been achieved. The Progress Review Report where the SG presents the results achieved is essential in this process. This report is examined by the CM. Given the transition from input control to output control it might be logical with an independent scrutiny of whether the results presented in the Progress Review Report provide a true and fair picture of what has actually been achieved. Such a statement could provide useful input to the accountability process. In this context I observe that, for the first time, I think, there are elements of such scrutiny in the External Auditor's report.

The BC has taken the initiative to this seminar and I hope, and I am convinced, that it will mark the beginning of a constructive process resulting in an essential improvement of the way objectives, expected results and performance indicators are defined and reported in the CoE. I hope we will already see positive results in the Programme and Budget for the period 2014-2015.

I am pleased that the new Deputy Secretary General is participating in this seminar and I trust that with her, and the SG's, support progress will be made.

Thank you for your attention.