

SEMINAR

ON

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

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What is results-based budgeting?

Results-based budgeting (RBB) is a planning and strategic management tool. It is actually a subset of “results-based management” (RBM). RBB seeks to align budget allocations with anticipated results. Results-based management goes much further, viewing the organisational management environment and culture in its entirety, including also human resources management.

There is no universally accepted definition of exactly what RBB is in general, and even less so in the particular context of international organisations, but the definition proposed by the United Nations might be adopted:

“Results-based budgeting is a programme budget process in which:

- (a) programme formulation revolves around a set of predefined objectives and expected results;
- (b) expected results would justify resource requirements which are derived from and linked to the outputs required to achieve such results;
- (c) actual performance in achieving results is measured by objective performance indicators”.¹

Brief historical background²

The concept of RBM is not really new. Its origins date back to the 1950s. In his book *The practice of management*³, Peter Drucker introduced for the first time the concept of “Management by Objectives” (MBO) and its principles:

- cascading of organisational goals and objectives,
- specific objectives for each member of the Organization,
- participative decision-making,
- explicit time period,

¹ A/53/500 of 15 October 1998

² Main source : Results-based Programming, Management and Monitoring (RBM) – Guiding Principles – UNESCO January 2012

³ Peter F. Drucker : The practice of management, Harper & Rowe, New York 1954

- performance evaluation and feedback.

These principles are very much in line with the RBM approach. MBO was first adopted by the private sector and then evolved into the Logical Framework (Logframe)⁴ for the public sector. Originally developed by the United States Department of Defense, and adopted by the United States Agency for International Development (USAID) in the late 1960s, the Logframe is an analytical tool used to plan, monitor, and evaluate activities and projects.

During the 1990s, the public sector was undergoing extensive reforms in response to economic, social and political pressures. Public deficits, structural problems, growing competitiveness, globalisation, shrinking public confidence in government and growing demands for better and more responsive services as well as for more accountability were all contributing factors.

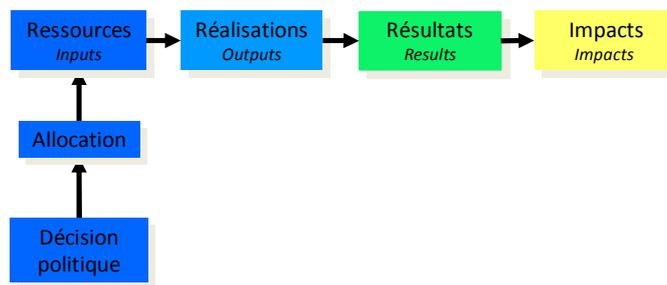
The logical framework approach was gradually introduced in the public sector in many countries (mainly member states of OECD). During the same decade this evolved into RBM as an aspect of New Public Management, a label used to describe a management culture that emphasises the centrality of the citizen or customer as well as the need for accountability of results. This was followed by the establishment of RBM in international organisations.

A cultural evolution (revolution?)

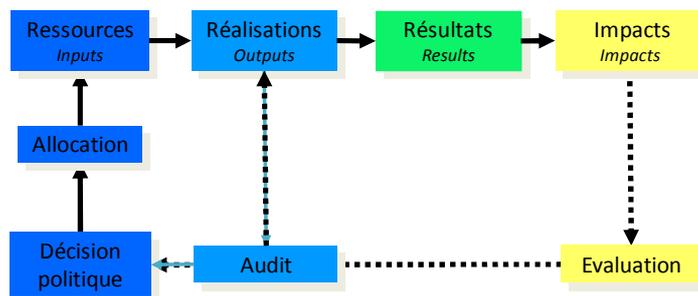
This evolution reflects a shift from a logic of resources to a logic of results, with the production of budgets structured around public policy goals and the development of monitoring and evaluation systems that are concerned less with the volume of expenditure than with the results achieved with it.

A change of culture

Stage 1 – Policy-making focuses on the allocation of resources

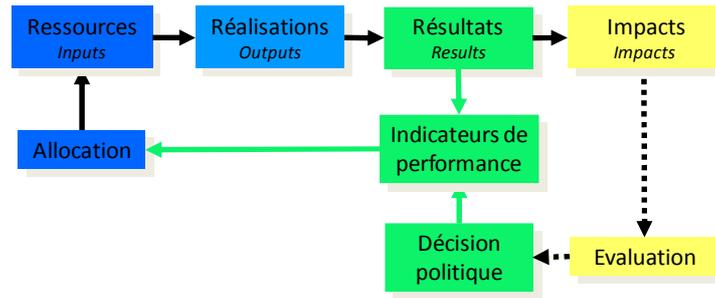


Stage 2 – Policy-making, aided by auditing and evaluation, focuses on the allocation of resources



⁴ The Logframe derives its name from the logical linkages set out by planners to connect an activity's or project's means with its end.

Stage 3 – Policy-making focuses on expected/achieved results and justifies the allocation of resources



Today, reform is no longer confined to proposing planning tools alongside the traditional budget, but aims for more far-reaching change. This concerns in the first instance the way in which budgets are prepared, presented and discussed, and secondly the organisation of responsibilities and the dialogue of management within each public institution. However, the transition to a results-based culture is a long and difficult process which requires new attitudes and practices to be adopted and, often, staff capacities to be increased.

Links with existing tools (reminder of definitions)

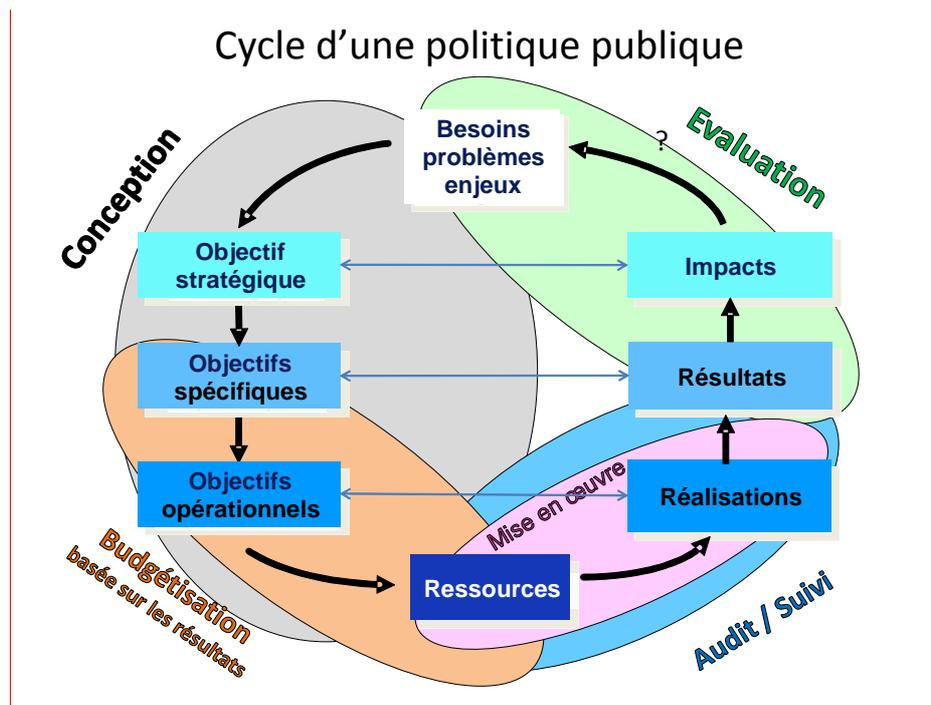
RBB is one of a range of public policy management tools. It links in with other tools which are often already in use in the organisation:

- financial auditing, which seeks to determine whether things are being done *legally*, in *conformity* with the rules;
- management monitoring and performance auditing, which seek to determine whether things are being done *as planned*, in accordance with sound management standards, and while limiting *risks*;
- and evaluation, whose aim is to determine whether the *right* things are being done and whether they are producing the expected *effects* (results and impacts).

It is important to draw the proper distinctions:

	Inspection	Auditing	Management monitoring	Evaluation
Purpose	Verify legality	Verify conformity of processes (risks)	Monitor implementation	Optimise results
Standards	Laws, regulations, legal obligations (external)	Professional or other specific standards	Pre-established programme	Internal benchmarks depending on objectives
Possible consequences	Punish breaches of the rules	Reduce risks	Get things back on course	Aid decision-making

All these tools complement one another and contribute to the public policy cycle



Objectives, expected results and performance indicators – agreeing on terms

Why do objectives, expected results and performance indicators need to be carefully defined?

RBB establishes a relationship in which needs for resources derive from objectives and expected results. A key characteristic of the process is the definition of expected results, whose achievement is measured by objective indicators. Assessment of the results thus establishes a link between the results obtained and the budget, hence greater transparency, expected efficiency gains and increased direct responsibility of staff in charge of the programme or project.

One of the main difficulties of the exercise lies in defining these different concepts. However, the definitions do not yet appear to be fully settled. They vary between, and often within, organisations.

While there is no absolute truth in this field, it seems crucial to reach agreement within each organisation on the terms chosen and their exact significance.

Proposed definitions

The definitions proposed below are mainly derived from the evaluation field. They are definitions used to judge in particular the effectiveness of public actions (project, programme, measure, policy etc), and hence the degree to which their objectives are attained.

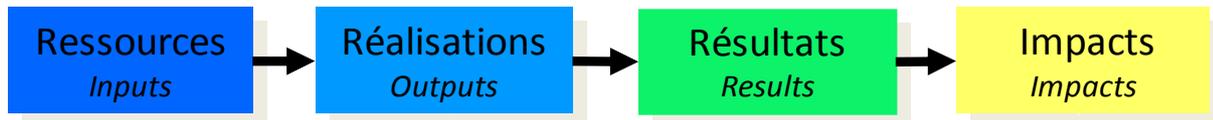
- **Objective:** clear, explicit prior statement of the effects which a public action is expected to produce
- **Result:** actual benefits to direct beneficiaries following their participation in the public action (or on completion of a public works project)
- **Expected result:** expected benefits to direct beneficiaries on termination of their participation (or on completion of a public works project)
- **Performance indicator:** measurement of an expected result.

The information provided by an indicator consists of quantitative data measuring facts or opinions (eg percentage of legal professionals in country X who have received training in human rights or percentage of participants who say they acquired new knowledge and skills following the seminar)

A performance indicator requires a baseline and a target.

In fact, these terms link in with a broader set of concepts based on a causal approach to public action (theory of change). An understanding of these is needed in order to avoid confusion.

For the sake of simplicity, this approach could be summarised as follows: a problematical situation is identified which justifies public action. The planners of the action make assumptions about the nature of the problem, the solutions to be implemented and the causal links which will make it possible for the planned solutions to resolve the problem. Inputs are allocated, leading to outputs which will have results, or immediate outcomes, for direct beneficiaries and longer-term impacts, or end outcomes, on a wider target public.



The following definitions are proposed:

- **Inputs:** financial, human, material and legal resources deployed to implement the action (eg budget)
- **Outputs:** products and services delivered, made possible by the resources allocated to the action (eg training seminars, workshops)

NB: activities are the tasks carried out to convert input into output (eg recruiting trainers, hiring a meeting room, designing teaching aids etc)

- **Results:** actual benefits to direct beneficiaries following their participation in the public action (eg acquisition of knowledge and/or skills)
- **Impacts:** medium or long-term consequences for direct beneficiaries following their participation (eg use/application of knowledge and skills acquired in the course of their work), or indirect consequences for other target groups in terms of gains or losses (eg greater respect for human rights in the territory concerned)

Experience over the last few years in international organisations and national governments which have introduced RBB has brought out a number of difficulties, most importantly:

- stakeholders have a different understanding of the terms and purpose of the process;
- objectives are poorly formulated;
- confusion between the notions of input and output or impact;
- difficulty in producing appropriate indicators and obtaining the relevant data;
- difficulties of application in fields/activities remote from project management, such as standard-setting activities;
- questions about the limits to the responsibility of the organisation and its staff;
- a loss of meaning, with indicators sometimes replacing the objectives of public actions.

Building clear objectives, SMART expected results and relevant performance indicators

Although, in a public sector management context, a number of tools are available for implementing RBB, such as logframes, it may be risky to dive headlong into using these tools without focusing first on the aim of the public action pursued.

It is indeed pointless to seek to establish expected results and performance indicators, if the objectives and rationale of producing the effects of the action in question have not been clearly determined beforehand.

Building clear objectives

Reminder of definition: an objective is a clear, explicit, prior statement of the effects to be obtained through the public action undertaken.

The definition of an objective corresponds to the effect, or change, being sought, not to a description or outline of the projected outputs. Objectives are not activities carried out. They are the expected effects of the activities in question on a given target group.

Objectives are frequently either confined to stating a problem and the activities being implemented by the organisation concerned or formulated in an over-ambitious way (for example, achieving gender equality).

There is in fact some confusion between the three levels of objectives: strategic objectives, specific objectives and operational objectives (see the diagram on page 3).

- *Strategic objectives* correspond to the expected impacts, i.e. the desired effects, on the direct and indirect beneficiaries in the medium and the long term. While these are the objectives that reflect the ultimate aim of the activity (the societal problem it is seeking to solve), they cannot be adopted in an RBB context, as the achievement of these changes often only partly depends on the organisation's action (many other external factors come into play) and usually takes several, if not many, years. Strategic objectives are moreover generally expressed in less ambitious terms, such as "Helping to". The question of the impacts is accordingly more a matter of evaluation.
- **Specific objectives** correspond to the **expected results**, that is the desired effects in the short term on the direct beneficiaries of the activity. This is the level of objective that is of relevance in an RBB context, the level that can come within the organisation's responsibility.
- *Operational objectives* correspond to the projected outputs and are linked to a logic of means, rather than a logic of results.

Building clear objectives therefore involves being able to identify the specific objective(s) of an action and to formulate them using three components: an action verb (usually in the infinitive), a content and a context (the target beneficiaries, the geographical areas covered, etc.).

Identifying SMART results

To identify the expected results it is necessary to consider the theory of action or intervention logic of the public action in question; it is a matter of getting back to basics: asking why we are doing this, what effects, or "value", we are seeking to attain, whether the action is truly/still relevant and whether it is consistent with the organisation's overall strategy.

This makes it necessary to move outside the usual context, to shift our focus away from what is being done or produced and towards the target group, the direct beneficiaries of the action. It is a matter of putting oneself in their shoes and asking "as the beneficiary, what do I gain from this activity?". It is therefore necessary to think as a beneficiary, rather than a manager, which is not always an easy exercise.

Various tools are available, including flowcharts, logic models and logframes. These tools, which cannot be discussed in detail here, all make it possible to illustrate the theory of action of the activity.

They reflect a causal conception of the production of "public goods" and are accordingly well suited to technical assistance or co-operation programmes/projects, above all where they are devised as dynamic public management tools (that is to say tools that can evolve over time and are adaptable to changes in the context and to various constraints).

These tools are nonetheless a little more complex to handle when a standard-setting or convention monitoring activity is being implemented.

Lastly, these objectives are often required to be "SMART

	<i>English</i>	<i>French</i>
S	Specific: Expected results must be exact, distinct and clearly stated. Vague language or generalities are not results. They should express the nature of expected changes, the beneficiaries, the region, etc. They should be as detailed as possible without being wordy.	Spécifique : les résultats attendus doivent être précis, distincts et formulés clairement. Des résultats sont incompatibles avec un langage vague ou des généralités. Ils devraient exprimer la nature des changements escomptés, les bénéficiaires, la région, etc. ils devraient être aussi détaillés que possible, mais sans être verbeux.
M	Measurable: Expected results must be assessable in some meaningful way, involving qualitative and/or quantitative characteristics.	Mesurable : Ils doivent être mesurables d'une manière sérieuse, et comporter des caractéristiques qualitatives et/ou quantitatives.
A	Achievable: They must be realistically achievable using the human, financial and institutional resources available to the Organisation.	Réalisable : Ils doivent être réalistes compte tenu des ressources humaines, financières et institutionnelles disponibles.
R	Relevant: They must contribute to the attainment of the strategic objectives and respond to specific and recognised needs or challenges within the Organisation's mandate.	Pertinent : Ils doivent contribuer à l'atteinte des objectifs stratégiques et répondre à des besoins ou des défis spécifiques et reconnus dans le cadre du mandat de l'Organisation.
T	Time-bound: Expected results must be achievable within a specific timeframe.	Assorti d'un délai : Ils doivent être réalisables dans un délai donné.

Producing relevant performance indicators

An expected result can be paired with a performance indicator, or more often several performance indicators.

Four difficulties, at least, are commonly encountered when producing performance indicators:

1. *Finding an indicator that is truly an action indicator, and not a context indicator*

The indicator must measure a variable corresponding to a data item that shows the action's effects on the direct beneficiaries, not a change they undergo that is not linked to the action itself but results from a development in the national context or another action.

2. *Finding an indicator that measures the result rather than the output or impact*

It is usually easy to obtain quantitative data concerning the implementation of an action (for example, the number of training seminars organised or the number of visits carried out), but these data reflect the outputs rather than the results. Similarly, it is sometimes possible to access data on changes in the target group's behaviour or medium to long term trends concerning it (for example the trend in the number of applications lodged with the European Court of Human Rights by nationals of the country concerned), but it is not always possible to establish a direct link with the action.

3. *Finding an indicator that can be correctly, if not easily, documented*

In some cases relevant indicators of the results can be identified, but documenting them is either very difficult or requires the implementation of reporting processes that are too time-consuming or too costly.

4. *Determining the threshold to be attained*

In very many cases relevant indicators can be identified and documented, but there is no indication of the threshold to be attained or it is too complicated, or even risky, to determine this threshold, which makes subsequent verification that the expected results have been achieved a very difficult exercise.

Ideally, an indicator must give simple information that is easy to communicate and is understood by both the provider and the user. It must track exactly what it is intended to measure (validity of design) and be sufficiently sensitive, that is to say the measured quantity must vary significantly when a change takes place in the variable being tracked.

Conclusion

Results Based Budgeting (RBB) is a very interesting, very useful exercise, making it possible to take decisions according to a results-based logic, to be transparent and to facilitate the reporting process. It is helpful as long as it focuses more on the aim than on the quantitative results obtained. It is nonetheless also a difficult exercise that takes time to put in place and requires that those concerned should be enabled to acquire additional knowledge.