

RESULTS BASED BUDGETING

Manual

May 2005 Version 3.1 (English)

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RESULTS BASED BUDGETING: INTRODUCTION

Definition

Results-based budgeting is a Budget process in which

- (a) Budget formulation revolves around a set of predefined objectives and Expected Results,
- (b) Expected Results justify the resource requirements which are derived from and linked to outputs required to achieve such results and
- (c) in which actual performance in achieving results is measured by objective performance indicators.

Background

Over the past five years there has been significant change in the way in which the budget of the Council of Europe has been presented and managed. In particular the decentralisation of financial management has laid down clear lines of responsibility for appropriations and an increased identification of full costs of activities.

This approach has been inspired by the report of the Wise Persons, the desire of the Secretary General to promote administrative reform and modernisation, the recommendations of the Budget Committee and the support of the Committee of Ministers/Rapporteur Group on Administrative and Budgetary Questions for administrative modernisation.

Some revision of the Budget structure has already taken place across the Organisation and in 2004 the presentation of the programme of activities was overhauled and a new management instrument was introduced (PMM: project management methodology). This presentation was warmly welcomed and praised by both the Budget Committee and the Committee of Ministers.

Recommendations of the Wise Persons

The report of the Wise Persons, stated:

20. ***“Greater discretion** should be given to the Secretariat in the management of programmes and in budgetary management, coupled with **increased accountability** to the Committee of Ministers for results achieved....”*

21. *“There is a need to introduce a revised budget structure and reporting system based on **the definition of objectives** and the **measurement of actual performance** against predefined criteria (**results-based budgeting**).”*

The Committee of Ministers and the Rapporteur Group on Administrative and Budgetary Questions have also followed closely and endorsed the moves towards Results Based Budgeting (see CM(2000)57 prepared for the 106th Session of the Committee of Ministers).

Recommendations of the Budget Committee

The Budget Committee have regularly promoted the moves towards Results Based Budgeting.

Commitment of the Secretary General

In his document setting out his priorities for 2005, (CM(2004)59), the Secretary General has stated his general commitment to reform of the Organisation management structure, and to Results Based Budgeting in particular.

Draft Budget Presentation 2006

In 2006, the presentation which was used in 2005, will be replicated for all areas of the Ordinary Budget and for the Budgets of the Partial Agreement.

Administrative units must identify Activity Area objectives and will present for each of these Activity Areas:

- Expected Results
- Performance Indicators
- Sources of Verification
- Assumptions

With the relevant costs relating to achieving those objectives split at the following budget line levels:

- Remuneration of permanent staff
- Remuneration and accessory charges for temporary staff
- Placement of national civil servants on secondment
- Interpretation/Translation/Document Production and Postage
- Operational Expenditure

A separate document explaining significant increases/decreases in individual budget lines will also be provided in an annexe to the budget.

External Resources, such as those from voluntary contributions managed through special accounts, must also be identified with Activity Areas.

This change in presentation marks a fundamental shift in the philosophy of budget preparation in that it places Objectives and Results at the forefront of the budget presentation rather than individual lines of expenditure as was the case previously.

As is widely recognised by Secretariat, Budget Committee and the Committee of Ministers the introduction of results based budgeting will be a process which will take a number of years.

As with the programme of activities, an evaluation document will be produced (the first of these in 2006) which compares actual results with the performance indicators detailed in the draft budget document.

PRACTICAL APPLICATION OF RESULTS BASED BUDGETING

In Practise the following guidelines should be followed

Coherent objective-setting

- . drawing a clear distinction between the objectives and the activities which are necessary to achieve them;
- . considering major external factors and conditions, which could significantly affect the success of the implementation of the budget.

Identification of Activity Areas from the practical point of view

- . identifying tasks to which appropriate resources can be clearly attributed

Measurable effects

- . defining realistic performance indicators which measure the effects produced by our activities

TRAINING MANUAL

This manual accompanies the RBB training. It serves as a post-course reference for applying the techniques and approaches learnt during the training course. The manual is aimed at Council of Europe managers and members of their respective teams involved in the preparation and implementation of their budget.

The manual should be used in conjunction with the on-line help which is contained within the RBB IT tool (website: <http://rbb.dctnet.coe.int>). This help function provides quick and easy reference and guidance for setting objectives and defining performance indicators, sources of verification and assumptions.

The manual will be updated as necessary in the light of any comments and suggestions from those attending training courses and using the manual and the experience which has been gained during the ongoing implementation of Results Based Budgeting. This version of the Manual (Version 2.1) already takes into account comments and suggestions following the first training sessions in June 2004.

THE BUDGET CYCLE

The Secretary General is required, each year, to submit his budgetary proposals to the Committee of Ministers for their approval.

Each Directorate/Service/administrative unit is required to identify their expected results for Activity Areas for the budget year, be they ongoing objectives or relevant only to the year in question.

The Logical Framework Matrix (Logframe) is elaborated providing a reference system for measuring progress and estimating costs. Each Logframe has a cost and budget attached to it.

Implementation

During the financial year, the implementation of the budget is regularly reviewed by the Cost Centre Manager. Deviations from the initial objectives are analysed, assumptions are checked, and corrective action, if necessary, is undertaken. The implementation phase requires not only continuous supervision by the Cost Centre manager, but also timely reporting to senior management levels, committees or other interested parties.

Evaluation

Evaluation is an objective assessment of how of the budget has been implemented. It should provide information that is credible and useful, and should lead to decisions on how to improve the implementation. Lessons learnt should be taken into account when planning and implementing the following years budget.

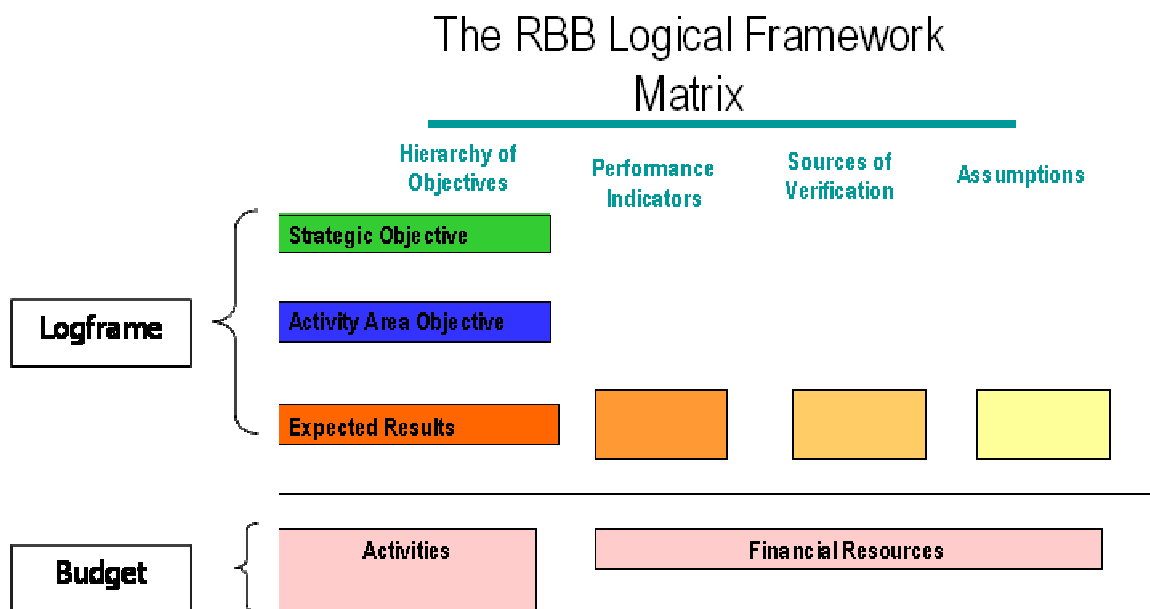
THE RBB LOGICAL FRAMEWORK

What is the RBB Logical Framework method?

The Logical Framework method analyses and presents objectives in a systematic and logical way. It requires causal relationships to be established between the different levels of objectives, and identifies the effects of the implementation of the budget upon the target group and beneficiaries. The method invites assumptions to be made as to those factors which may be outside the control of the Cost Centre Manager but nevertheless may influence success.

The Logical Framework Matrix (Logframe) summarises the most important elements of the budget design:

| | |
|-------------------------|--|
| Strategic Objective | ▪ Why the activities are carried out and what is expected to be achieved and for whom |
| Sub Objective | ▪ Sub-Objectives are the equivalent of Strategic Objectives for Partial Agreements and those administrative units within Votes I and Vote VI |
| Activity Area Objective | ▪ What the Objective of the specific area of activity is |
| Expected Results | ▪ What we want to achieve by carrying out our activities |
| Performance Indicators | ▪ How the effects of the activities will be measured |
| Sources of Verification | ▪ Where to find information required to assess effects |
| Assumptions | ▪ Which external factors are crucial for achieving expected results |
| Financial Resources | ▪ How much the implementation of the budget will cost |



The Logframe becomes one of the tools for managing the budget, helping to allocate resources, formulate work plans, conduct progress reviews, and prepare a final evaluation report.

LIMITATIONS OF THE METHOD

The Logical Framework method has proved its usefulness in helping those who prepare and implement budgets to better structure and formulate their budget proposals and to set them out in a clear, coherent way. If the idea is misconceived or if the logic is poor, the Logframe should help to reveal the contradictions or inconsistencies.

The Logframe is simply a tool for improving planning, implementation and evaluation. It cannot alone guarantee success. Many other factors will also influence the success or failure of the implementation of the budget.

Factors for success



Formulating a Logframe should not be seen as a formal *blueprint* exercise. Rather it should be a team effort requiring a thorough analysis, consultation of all concerned and brainstorming.

Whilst the logframe, once it is approved, forms the basis of the years planning, it is possible, under certain circumstances to create a rolling logframe to take into account any significant specific external factors which would ultimately affect the process of evaluation of the initial logframe.

STAKEHOLDERS

Stakeholders are persons, groups or institutions with an interest in, or influence over, the degree of success of implementation of the budget. They can be divided into four categories: beneficiaries, partners, resource providers and target groups.

Beneficiaries

Those who directly/indirectly benefit, in the longer term, from the improved capacity (skills, knowledge, etc.) and quality of services and products of the target groups.

Partners

In some instances, Council of Europe budgets are executed with outside partners. These are not target groups nor beneficiaries, but their co-operation is vital for the successful implementation of the budget. Some examples include, Ministries in charge of various sectors, other governmental agencies and NGOs.

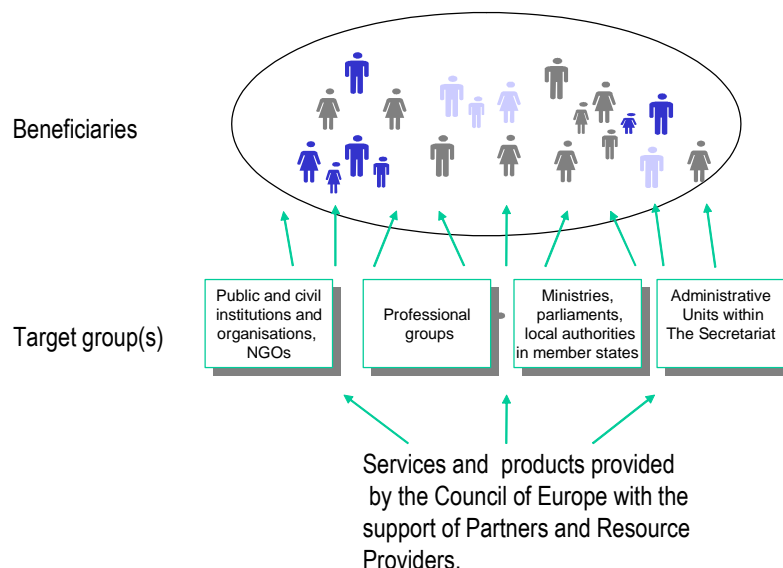
Resource providers

They provide financial input and/or give political direction and support. Examples include the Committee of Ministers, member states or non-member states providing voluntary contributions and the European Commission.

Target groups

The target groups are those directly affected by the implementation of the budget and directly benefiting from the work of the Council of Europe. They include ministries, parliaments, local authorities, but also institutions and organisations, both public and civil, and professional groups (i.e. judges, prosecutors, lawyers, etc.) and non-professional groups, acting as multipliers in the member states. For Service providers within the Secretariat the target groups could be other administrative units within the Secretariat.

Target groups and Beneficiaries



THE PLANNING PHASE – BUILDING THE LOGFRAME

The four columns included within the Logframes are as follows:

1. Hierarchy of Objectives
2. Performance Indicators
3. Sources of Verification
4. Assumptions

First Column: Hierarchy of Objectives

The four levels of objectives are defined as follows:

1. The **Strategic Objective** expresses the long-term impact and positive changes upon the beneficiaries. *(For Partial Agreements and administrative units with Votes I and VI, the Sub-Objective equates to the Strategic Objective)*
2. The **Activity Area Objective** defines the activities success. The Activity Area Objective should address the needs of the target group(s). It should be defined in terms of sustainable benefits or positive change for the target group(s). Clarifying and agreeing precisely what will define the activities success is therefore a critical step in the design of the Logframe.
3. **Expected Results** describe the intended provision of services / products by the Council of Europe to the target group. **Activities** are the actions to be carried out in order to attain the Expected Results. They describe the budget in operational terms. Financial resources should be clearly attributed at this level by type of expenditure within the budgetary tables to be completed. The activities do not appear in the Logframe.

Expected Results

Expected Results describe the intended provision of products and services on an annual basis by the Council of Europe to the target groups (knowledge, skills, tools, services, standards, etc.). They are our Achilles' heel because they are the Organisation's weakest point in terms of defining results at the level that they belong (they are often wrongly defined as activities or sometimes as the intended initial impact).

Expected Results should be Specific and Measurable.

Make sure you define Expected Results as the Outputs (products or services) you expect from carrying out your planned activities.

It is recommended that you express Expected Results as **completed actions in the future**. For example: Judges are informed about the principles of the ECHR (instead of "to train judges"); target groups are aware of the principles of history teaching (instead of "to raise awareness."). This formulation will help you distinguish activities from expected results.

An Expected Result is not an all-inclusive, broad generic definition of a quasi-permanent mandate under an Activity Area. It is what you expect to achieve in 200X. Expected Results are specific. It is best to avoid using too general, undefined, ambiguous terms such as "contributing to..."; "ensuring...". Ask yourself what you will deliver concretely as a service and/or a product in 200X and to whom.

The maximum number of Expected Results you can enter is 7. More than this number will jeopardise the coherence of the activity area. If you need more, you have to ask yourself whether you have included too broad a spectrum of activities within your activity area.

An Expected Result is not an activity and vice versa. To train, to raise awareness, to draft a Recommendation, to organise a conference, to hold a meeting, to produce a document are all **activities**.

Second Column: Performance Indicators

Performance Indicators describe the tangible effects of the expected results.

The cost centre manager uses how you will Performance Indicators to describe, assess or measure the effects of the implementation of the budget in terms of quality, quantity and time perspective.

Performance Indicators should be: SMART.

- **S**pecific
- **M**easurable
- Verifiable at an **A**ceptable cost
- **R**elevant to the objective concerned
- Verifiable within a reasonable period of **T**ime

Specifying performance indicators helps check the feasibility of achieving objectives and results. Often, it is necessary to establish several performance indicators for one expected result. Together, several performance indicators will provide more reliable information on the achievement of an objective. In addition, the performance indicators form the basis of the reporting and management system to review the progress of the implementation of the budget and to make a final evaluation.

It may be difficult in some cases for the cost centre manager to spell-out clearly the performance indicators in the first years of the implementation of RBB. A certain degree of flexibility is therefore required. Performance indicators can initially be of a general character, but should be made more specific as more information becomes available and the experience of evaluation against initial expected results and performance indicators is undertaken. Performance indicators should be reviewed and updated whenever the progress of the implementation of the budget is assessed.

Care should be taken when identifying Performance Indicators not to confuse them with Outputs. An Output would simply record the delivery of a service or product. However, the Performance Indicator should explain the **quality** of the service or product, as to the extent that the service / product has been accepted, used or perceived by the target group.

Performance indicators should include an assessment or measurement of changes or effects such as the use of, access to, satisfaction with, demand on, coverage of the Council of Europe services and / or products in relation to the target group.

Third Column: Sources of Verification

Sources of Verification are the means by which the cost centre manager checks that the Expected Results have been achieved according to the Performance Indicators that have been set.

The Sources of Verification should normally be specified when Performance Indicators are formulated. They should describe:

- the format in which the information should be made available (e.g. progress reports, accounts, internal records, official statistics, etc.)
- who should provide the information
- how regularly it should be provided (e.g. monthly, quarterly, annually, etc.)

Sources should be assessed for their accessibility and reliability. The work load and cost of collecting information should be estimated and adequate means provided as they constitute an integral part of the budget management process itself.

However, the work load to collect information and the cost involved should be commensurate with the scale of the operation. A cost centre manager might discover that it is in fact too expensive, or too complicated to verify a particular performance indicator. In this case, the Performance Indicator should be replaced by a simpler, cheaper and sometimes indirect (proxy) criterion.

Fourth Column: Assumptions

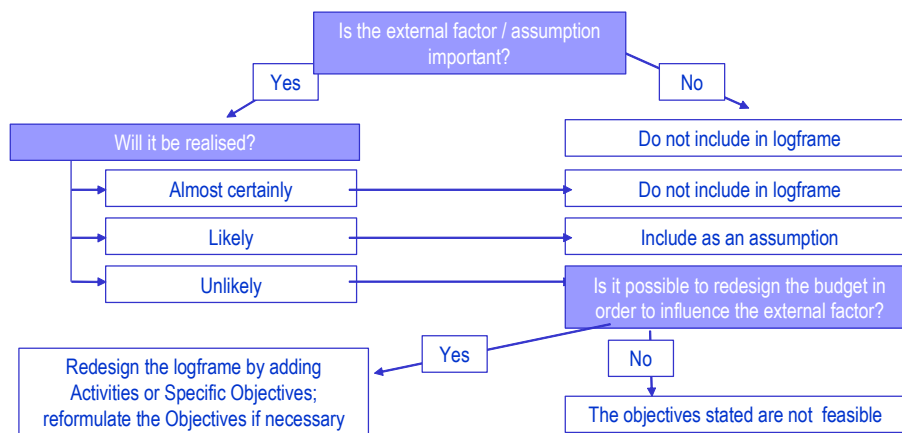
In some cases, all the results/objectives identified cannot be achieved. External factors will affect implementation but lie outside of the control of the cost centre manager. Certain conditions for success must therefore be assumed. These conditions must be met if implementation is to be successful, and are included as Assumptions in the fourth column of the Logframe.

Assumptions are only set at the level of Expected Results.

How to Identify Assumptions?

The probability and significance of external conditions to be met should be estimated as part of assessing the degree of risk related to the implementation of the budget. Some factors will be crucial to success, and others of marginal importance. Once Assumptions have been identified, they are stated in terms of the desired situation. They can then be verified and assessed. The flowchart below presents a useful way of assessing the importance of Assumptions. Assumptions should be **external** to the Council of Europe i.e. assumptions relating to other parts of the Secretariat on whom certain work may be dependant should not be included.

Feasibility flow chart



THE EVALUATION PHASE

Evaluation is a systematic and objective assessment of the implementation of a budget.

The three key principles, which determine the quality of the implementation of a budget, also guide the evaluation process:

- Coherent objective setting
- Practicability
- Measurable effects.

Evaluation should assess what has been achieved, and what are the effects of activities as measured by the Performance Indicators. Evaluation should critically review the extent to which internal and external factors influencing the achievement of objectives have been duly considered.

Evaluation does not seek to assess the performance of the cost centre manager. Evaluation examines the approach taken to achieve certain results, in order to learn lessons for future actions and provide information to decision-makers. Evaluation contributes to transparency and can be used to enhance the visibility of the Council of Europe.

Budget implementation should always be evaluated by the cost centre manager and his/her team. The results of the evaluation will be presented in an evaluation report. It is written for a broad audience including Committee of Ministers, donor states and organisations, senior management, partners and other interested parties.

APPENDIX I - GLOSSARY

| | |
|---|--|
| Activities | The actions to be carried out in order to attain Expected Results (e.g. organising seminars, providing legislative assistance, paying invoices, producing reports etc.). |
| Assumptions | External factors that might affect implementation and long-term sustainability but lie outside the control of the Cost Centre manager. |
| Beneficiaries | Those who directly/indirectly benefit, in the longer term, from the improved capacity (skills, knowledge, etc.) and quality of services and products of the target groups. |
| Evaluation | Evaluation is an objective assessment of the ongoing or completed implementation of activities for achievement of the activity area objective and the expected results. It aims at drawing lessons for future activities. |
| Evaluation Report | Presents the results of the evaluation. |
| Expected Result | Describes the intended products and services to be provided by the Council of Europe to the target groups, they should be Specific and Measurable, i.e. what we want to achieve by carrying out our activities. |
| Logical Framework Method | Analyses and presents objectives in a systematic and logical way. The method invites assumptions to be made as to those factors which may be outside the control of the cost centre manager but nevertheless may influence its success. |
| Logframe | Abbreviated term for "Logical Framework Matrix". |
| Objective | Describes the rationale of a particular action/ intervention. Objectives are set at different levels, corresponding to the scope of the intended effect. |
| Partners | In some instances, Council of Europe budgets are executed with outside partners. These are not target groups nor beneficiaries, but their co-operation is vital for the successful implementation of the budget. Some examples include, Ministries in charge of various sectors, other governmental agencies and NGOs. |
| Performance Indicators | Performance Indicators assess or measure the effects of activities in an Activity Area. They should be SMART: Specific, Measurable, verifiable at an Acceptable Cost, Relevant, verifiable within a reasonable period of Time. |
| Project Management Methodology PMM | Is the Methodology used for the Implementation of the Programme of Activities (Vote II). Whilst it is similar to the RBB concept, PMM is a project based methodology. |
| Resource providers | They provide financial input and/or give political direction and support. Examples include the Committee of Ministers, member states or non-member states providing voluntary contributions and the European Commission. |

| | |
|--------------------------------------|--|
| Results Based Budgeting (RBB) | <p>Budget process in which</p> <p>(a) Budget formulation revolves around a set of predefined objectives and expected results,</p> <p>(b) Expected Results justify the resource requirements which are derived from and linked to outputs required to achieve such results and</p> <p>(c) in which actual performance in achieving results is measured by objective performance indicators.</p> |
| Sources of Verification | Form the third column of the Logframe and indicate where and in what form information on the effects of the various interventions can be found as described by Performance indicators. |
| Stakeholders | Persons, groups or institutions with an interest in, or influence over, the degree of success of the implementation of the budget. Stakeholders can be divided into four categories: target group(s), resource providers, partners and beneficiaries. |
| Strategic Objectives | Strategic Objectives identify long-term, open-ended, European-wide changes or institution wide, for which the Organisation is working. |
| Sub-Objective | For Partial Agreements and for Votes I and Vote VI, the Sub-Objective corresponds to the Strategic Objective for the entity concerned. |
| Target Group(s) | <p>Those directly affected by the implementation of the budget and directly benefiting from the work of the Council of Europe. Target groups include ministries, parliaments, local authorities, but also institutions and organisations, both public and civil, and professional groups (i.e. judges, prosecutors, lawyers, etc.) and non-professional groups, acting as multipliers in the member states.</p> <p>For administrative units and internal service providers, target groups can also be other services within the secretariat.</p> |

APPENDIX II – EXTRACTS FROM RBB HELP FUNCTION IN THE IT TOOL

How to develop a Logframe?

| Step | Box | How | Quality Check |
|------|---|---|--|
| 1 | Activity Area Objective | Define, what you can and want to achieve in your Activity Area | Only one Activity Area objective Is it realistic to achieve this objective within one year? |
| 2 | Expected Results | Identify the different products or services that you will have to produce throughout the year in order to achieve your Activity Area objective or objective of the phase 200X for multi-annual Activity Areas | Not more than 7 expected results. If more create another Activity Area. Are the produced "products and services" sufficient and are they really necessary for achieving the Activity Area objective? Make sure they are products and services and not activities themselves. |
| 3 | Performance Indicators for expected results | Define how you are going to measure/to prove the achievement of each expected result at the end of the year. Be precise about defining the relevant measures. | Max. 3 Performance Indicators/expected results Measurable = quantity, quality, time (e.g. "latest in July 200X, the Ministry of Education in 12 member states have received detailed information on the different teaching aids on minority rights available in November 200X") |
| 4 | Sources of Verification for Performance Indicators | Check the Performance Indicators and fix how you can verify them: which information sources can you use? Will you have to make additional efforts for collecting information? | The verification should not be too expensive (in terms of time and cost)! Sometimes you might have a very good Performance Indicators, but too much effort has to be made to verify it. In that case, look for another one. |
| 5 | Assumptions | Define, which conditions you need for achieving expected results, List all factors which are not under your control, but you expect to hold true in the assumption box (assumptions for achievement of expected results). | The more assumptions you have and the more critical your assumptions are, the more you have to monitor implementation. |

Examples of how to improve Expected Results and Performance Indicators

| Example | How to improve? |
|---|--|
| <p>Expected Result: "to promote bilateral co-operation in support of educational reform"</p> <p>Performance Indicator: "coherence of the Education Directorate's targeted co-operation and assistance programmes for priority countries, successful financing and implementation of assistance activities and effective support..."</p> | <p>Expected Result: "Bi-lateral co-operation in support of educational reform has increased".</p> <p>Performance Indicator: At the end of the year, in 80% of the priority countries at least two relevant (to be specified) activities have been undertaken and communicated in the national media...</p> |
| <p>Expected Result: "to assist states to set up modern and fair systems of property legislation"</p> <p>Performance Indicator: "assessment of the legislation and practice of certain states in the field of property law"</p> | <p>Expected Result: "modern and fair systems of property legislation are further developed"</p> <p>Performance Indicator: In May 2003, in at least 5 (pilot) states modern property laws and law reform are known in relevant circles (specify relevant circles)</p> |
| <p>Expected Result: "provide policymakers with analyses on demographic and social change and their impact on social policy and social cohesion"</p> <p>Performance Indicator: "number of analyses and number of presentations to policymakers and representatives from other CoE structures"</p> | <p>Expected Result: "Analyses on demographic and social change and their impact on...are accessible for policymakers"</p> <p>Performance Indicator: At the end of 2003, 18 national analyses are ready and distributed among the policymakers</p> |
| <p>Expected Result: "to follow the implementation of relevant CoM recommendations"</p> <p>Performance Indicator: "Information on legislation, practices in states"</p> | <p>Expected Result: Implementation of relevant CM recommendations is supervised regularly.</p> <p>Performance Indicator: At the end of the year, information about the status of implementation of 9 CM recommendations in at least 50% of member states is accessible for all relevant stakeholders (the latter to be specified).</p> |
| <p>Expected Result: "to strengthen civil society structures as multipliers for human rights awareness-raising"</p> <p>Performance Indicator: "number of civil society partners involved in awareness-raising and training activities"</p> | <p>Expected Result: Civil society structures act as multipliers for human rights awareness-raising</p> <p>Performance Indicator: At the end of 2003, in all member states, at least 3 NGOs are involved in awareness raising and training activities</p> |

Examples of Sources of Verification

| Example | Sources of Verification |
|--|--|
| Performance Indicator: At the end of the year, in 80% of the priority countries at least two relevant activities have been undertaken and communicated in the national | Reports from the countries Press/media review (questionnaire requested as appendices to country reports...). |
| Performance Indicator: In May 2003, in at least 5 (pilot) states modern property laws and law reform are known in relevant circles | Monitoring reports |
| Performance Indicator: at the end of the year, 2 new cooperation agreements in the field of human rights are signed | Internal records DG |

APPENDIX III – LOGFRAME CHECKLIST

1. The Activity Area has one single objective.
2. The Activity Area objective is not a re-formulation of the expected results.
3. The relation between the Activity Area objective and the strategic objective(s) is evident.
4. The Activity Area objective expresses a direct benefit for the target group(s).
5. All the expected results are necessary for accomplishing the Activity Area objective.
6. The if-then premise (if all expected results have been reached, then, the Activity Area objective is accomplished) between expected results and Activity Area objective does not skip important steps.
7. The expected results plus the assumptions on that level produce all the requisite conditions for achieving the Activity Area objective.
8. Are the expected results Specific and Measurable?
9. Are the performance indicators Specific, Measurable, Acceptable, Relevant and Timed?
10. The assumptions describe, in positive terms, the conditions which are important for the achievement of objectives, but external to the Activity Area, and are not under the control of the Cost Centre Manager.

