



BEST PRACTICES COMPENDIUM ON OUTCOME BUDGETING

DECEMBER 2023



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Preface

Countries all over the world and states in India are transitioning to an outcome-based budgetary system, where the focus is on outcomes, unlike the traditional outlay-based budgeting system. This document is a compendium of best practices followed globally on developing and implementing outcome-based budgets. The note includes examples from countries such as New Zealand, Mexico, South Korea, Australia and Sweden that have established outcome budgets and from states such as Jharkhand, Odisha, Delhi and Assam, which, have introduced outcome budgets recently. This is primarily based on secondary research and draws on examples from across the world. A preliminary data collection exercise was conducted with a few state governments in India to complement the secondary review.

The first section provides an overview of budgeting in India and a brief introduction to outcome-based budgeting. The second section lists the best practices categorised based on the three phases in the lifecycle of a programme - conceptualisation and design, implementation, and assessment for decision-making. Each best practice is followed by a list of suggestions on how to implement it in the Indian context. Some of the best practices listed include linking scheme-level outcomes to sustainable development goals, adopting data management practices, tracking progress on outcome indicators and using performance information in making decisions. The note also lists some of the key challenges in adopting outcome-based budgets. The practices mentioned in the document could help mitigate some of these challenges.

While this is a compilation of best practices, this is not an exhaustive toolkit that details steps to design and implement outcome budgets. This document is intended for policymakers and nodal departments at the state level who seek to introduce or improve the state's outcome budget. It can also serve as a knowledge product for those who are interested in learning about how outcome budgeting is perceived and implemented globally.

The transition to performance oriented or outcome-based budgeting is a process that requires building capacities of the departmental/ministerial staff. It also requires strong political will and an understanding of how to leverage data and evidence for greater efficiency. This compendium is an attempt to fill part of the knowledge gap on this topic and take one step towards implementing a well-structured and well-thought-out outcome budget. However, it is important to note that although this can be a usual starting point, it is in no way an exhaustive toolkit or practical guide on outcome budgeting as a practice.

Introduction and Background

Public management reforms and budgeting

The public sector manages a large portion of an economy's resources and plays a vital role in tackling development challenges and shaping any country's policy environment (World Bank, 2008). Governments around the world strive towards improving current public management structures and processes (Pollit & Bouckaert, 2011) and making them run better. To this end, they streamline existing administrative practices, adopt novel ideas and also implement new courses of action (Ingrams et al., 2020). Such deliberate changes to existing public management tools and practices are called public management reforms.

In the context of public management reforms, analysis of a country's budget is a powerful tool that provides a formal structure and direction to manage public expenditure. Budgets are statements of estimated receipts and expenditures of the government in a financial year (Ministry of Finance, 2010). The budgeting process helps governments identify priority sectors for resource allocation, frame policy goals, and, most importantly, establish transparency and accountability among citizens (A. Shah et al., 2011).

Budgeting in India and key budget reforms

In India, governments both at the national and sub-national levels draft annual budgets. Some state governments like Madhya Pradesh (Times News Network, 2017) even empower gram panchayats¹ to formulate annual budgets.

The Indian constitution legally mandates the central and the state governments to prepare Annual Financial Statements (AFS) also known as "budgets"². Under Article 280 of the Constitution, the Finance Commission ("Finance Commission India," 2022)³ provides recommendations on how to distribute revenues both vertically (i.e. between the centre and the states) and horizontally (i.e. among states).

Annual Financial Statements in India have the following information (Budget, 2010; Ministry of Finance, 2019; The Economic Times, 2022):

- * Estimates of revenue and capital receipts
- * Ways and means to raise the revenue
- * Estimates of expenditure
- * Actual receipts and expenditures of the previous financial year
- * Proposed economic and financial policy for the coming year

India's budget has undergone transformation over the years. Some of these changes are legal reforms while the rest of them are just changes in the budgeting practice (without a legal mandate). These reforms have been listed below:

1 "Panchayat" means an institution (by whatever name called) of self-government constituted under article 243B, for the rural areas (Government of India, 1992)

2 At the national level, Article 112 governs the Indian National Budget (also known as the Annual Financial Statement (AFS)) and Article 202 governs the State Budgets. (Ministry of Finance, 2019)

3 The Finance Commission is a Constitutionally mandated body in India. It is set up under Article 280 of the Constitution, and is responsible evaluate the state of finances of the Union and State Governments, recommend the sharing of taxes between them, lay down the principles determining the distribution of these taxes among

- » Parliamentary Acts
 - * Fiscal Responsibility and Budget Management Act, 2003 (FRBMA)(Department of Economic Affairs, 2003): The law mandates reducing the National budgetary fiscal deficit to 3% by 2008-09, and gradual elimination of revenue deficit at the Central Government Level. It also requires the Government to lay before parliament a Macro-Economic Framework Statement⁴, Medium-term Fiscal Policy Statement⁵, and Fiscal Policy Strategy Statement⁶ along with the Annual Financial Statement. At the state level, the FRBM was adopted by all states by 2010 (Department of Economic Affairs, 2003). This act was introduced to institutionalise financial discipline and reduce India's fiscal deficit (Pattnaik, 2016).
 - * Finance Act, 2012: Amended the FRBMA to require the Government to lay before Parliament a Medium-Term Expenditure Framework⁷, following the presentation of the other three policy statements. The amendment institutionalised long-term financial planning and improved budgetary reporting.
- » Executive action and Budget Speech announcements
 - * National Budget Speech Announcement, 2005 – This announcement mandated Ministries/departments to set out targets of intermediate outcomes of all major programmes in measurable terms (Chowdhary, 2006).
 - * Expansion of scope of outcome budgeting, 2006-07 - From the year 2006-07, the Ministry of Finance decided that individual Ministries/Departments would present their own Outcome Budgets for non-plan expenditures as well. Following this, the Ministry of Finance presented the first separate 'Outcome Budget 2006-2007' covering all Plan schemes of the Ministry and selected non-Plan schemes where outlays can be related to functional objectives (Ministry of Finance, 2006) this continued till 2016-17
- » Amendments to budget presentation, 2017 -
 - * Date and time changes:
 - * The Budget was to be presented on February 1 instead of the earlier practice of presentation of budget on the last day of February. This was an attempt to align the budget approval with the financial year. (IANS, 2020)⁸

4 As defined by the law (Section 3: Fiscal Policy Statements to Be Laid before Parliament., 2012): The Macro-economic Framework Statement shall contain an assessment of the growth prospects of the economy with specification of underlying assumptions.

5 As defined by the law (Section 3: Fiscal Policy Statements to Be Laid before Parliament., 2012): The Medium-term Fiscal Policy Statement is a document that sets forth a three-year rolling target for prescribed fiscal indicators with specification of underlying assumptions.

6 As defined by the law (Section 3: Fiscal Policy Statements to Be Laid before Parliament., 2012): The Fiscal Policy Strategy Statement contains the policies of the Central Government for the ensuing financial year relating to taxation, expenditure, market borrowings and other liabilities which have potential budgetary implications; the strategic priorities of the Central Government for the ensuing financial year, the key fiscal measures and rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administered pricing and borrowings and an evaluation as to how the current policies of the Central Government are in conformity with fiscal management principles.

7 As defined by the law (Section 3: Fiscal Policy Statements to Be Laid before Parliament., 2012): The Medium Term Expenditure Framework contains three year rolling target for prescribed expenditure indicators, with specification of underlying assumptions and risks involved.

8 Other benefits as per a parliamentary reply(Ministry of Finance, 2016):

- Obviating the need for a separate Bill for 'vote on account' for incurring the expenditure for the first two months.
- Operationalising the budget for new schemes/projects included in the Budget right from the commencement of fiscal year
- New taxation measures involving legislative changes in central excise and service tax (GST) will accrue to the Government from the commencement of the fiscal year

- * The presentation time also changed from 5:00 pm to 11:00 am. The new timing allowed for better analysis and more informed debate and discussion
- » Budget format/structure changes
 - * The Railway Budget and General Budget were merged and the distinction between plan and non-plan expenditure⁹ was removed (IANS, 2020).
 - * As per General Financial Rule (GFR) 2017, rule 54 (Government of India, 2017) mandates concerned Ministries and Departments to prepare an Outcome Budget statement linking outlays against each scheme/project with the outputs/deliverables and medium-term outcomes.

Introduction to outcome budgeting

India is constantly working towards improving its budgetary system and governance. This is evident from the multiple reforms introduced over the years. One such landmark reform targeted at improving the efficiency of resource allocation and achieving development goals is the decision to move to a performance-oriented budget, also known as an outcome-based budget.

What is outcome budgeting

Historically, budgets have been structured on a line-item basis, meaning governments reported expenditures on inputs like salaries, office supplies, and equipment (Table 1). For example, a Ministry of Health could report expense categories for salaries, hospitals, and equipment and then show individual expenditures within those categories, like salaries for administrative staff and public clinical staff. While line-item budgeting offered a simple means to organise public finances, it said little on the actual results or impacts of spending. Since the 1960s, countries around the world have made an effort to shift the focus from accountability for inputs to outcomes (Rose, 2003). This is a more results-oriented approach that gives weightage to outcomes of spending (e.g. did education expenditure improve school enrolment) rather than checking whether the expenditure is in accordance with pre-identified line items. Outcome budgeting is results-oriented and sets goals and measures the performance of departments (Kim & Kim, 2007).

Under outcome-based budgeting, the impact and effectiveness of intervention are used to inform budgetary decisions. It distinguishes outcomes and outputs and goes beyond economic or programmatic efficiency¹⁰. Kettner et al describes outcome budgeting as the linking of outcome goals and objectives to programmes to derive the “unit costs per outcome” and understand how cost-effective they are (Kettner et al., 1990).

⁹ Non-Plan expenditure is a generic term, which is used to cover all expenditure of Government not included in the Plan (5 Year Plan). It includes both developmental and non-developmental expenditure (Ministry of Finance, 2001)

¹⁰ Programmatic efficiency is understood to cover project output, and the cost per output

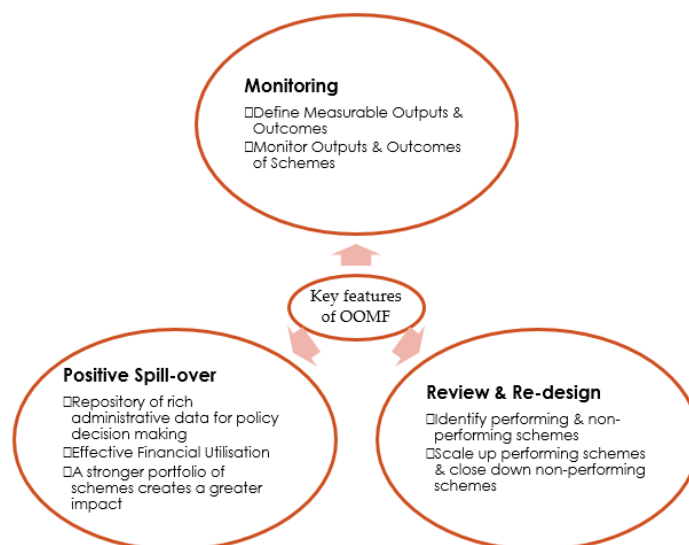
Outcome budgeting in India

India has gradually interlaced performance-based budgeting into the existing budgetary system since 1969 (Government of India Second ARC, 2009). That year, based on the recommendations of the Administrative Reforms Commission, the ministries introduced a performance budgeting system. The reforms were preliminary and had some caveats such as lack of a clear relationship between the financial and performance budgets and inadequate target setting for the ensuing year. Besides, there was also a need to track performance at the ‘outcomes’ level (Table 1: Definition of Budgeting terms).

Eventually, outcome budgeting was partially introduced into the system in 2005 wherein intermediate development outcomes was introduced as an additional component to budget presentation. The fundamental structure of the budget continued to be a line budget (Chowdhary, 2006).

Output Outcome Monitoring Framework: The Output-Outcome Monitoring Framework (OOMF) for measuring progress of CS and CSS was entrusted to DMEO in mid-2017, and has since become an annual exercise and a regular part of DMEO’s work. Its goal is to institutionalise outcome monitoring, to raise the equilibrium of Line Ministries of Government of India from tracking physical and financial progress, to closing the loop, and tracking the results of work done. Through the exercise, the office attempted to understand Government of India schemes, and develop measurable indicators for their outputs and outcomes. Every year, the framework is being laid in Parliament along with Union Budget. Further, the Rule 54, GFR 2017 makes OOMF an integral process for Ministries/ Departments.

FIGURE 1: DMEO OOMF



Source: DMEO

Scope of OOMF: The Central Sector (CS)/Centrally Sponsored Scheme (CSS) schemes form the primary mode of government service delivery to beneficiaries, covering approximately 43.2% of the Central Government’s expenditure budget (Rs. 19.44 lakh crores out of the total budget of Rs. 45.03 lakh crores in 2023-24).

Actively tracking progress against defined targets provides two key benefits for governance: improving (i) the development impact and (ii) the public accountability of every rupee spent by the Government of India.

Development Monitoring and Evaluation Office, NITI Aayog, works closely with central M/Ds and Dept. of Expenditure to drive evidence-based decision making by leveraging OOMF data. It is pertinent that this exercise through-out the year is undertaken by M/Ds to understand their respective scheme performance, ensure course-corrections are undertaken by continuous monitoring of various indicators and review mechanisms. Some of the core activities for preparing includes-

- * Setting measurable indicators to monitor scheme(s) performance
- * Finalising quality indicators before every financial year
- * Preparing the Output Outcome Monitoring Framework document
- * Facilitating review meetings
- * Reviewing scheme design through log frame approach incorporated in EFCs/SFCs

Since 2020, the annual review meeting of the OOMF of Ministries/ Departments has been started under chair of the Hon'ble Vice Chairman and Members, NITI Aayog along with Secretaries of concerned Ministry/ Department, concerned nodal from the Dept. of Expenditure to primarily review (i) progress of central sector/ centrally sponsored schemes; (ii) monitor outcomes thereof especially towards achieving National Development Agenda and Sustainable Development goals, (iii) progress on actionable points pertaining to previous year OOMF Review Meeting.

DMEO has also developed a dashboard to capture the progress on the indicators, with web- based online access to all Ministries/Departments for updating progress. This dashboard can also be used by other stakeholders viz Ministry of Finance etc to monitor the progress and utilisation of resources and allocate/release budget, based on scheme performance.

Rule 54, General Financial Rule 2017: Outcome Budget section highlights that after finalisation of the estimates for budgetary allocations, the Department of Expenditure in consultation with NITI Aayog and the concerned Ministries shall prepare an Outcome Budget statement linking outlays against each scheme/project with the outputs/deliverables and medium-term outcomes. The outputs/deliverables shall be mandatorily given in measurable/quantitative terms on the basis of parameters and deliverables decided in advance, on the basis of projections made in the Medium-Term Expenditure Framework (MTEF) Statement. Allocations for each scheme/project shall be against a firm set of deliverables which shall be adhered to. The performance against specified outcomes would form the basis of deciding on the continuation of the scheme and the quantum of budget allocation.

Annual Budget Circular (Budget circular F. No. 2(16)-B (D)/2022): Output-Outcome Monitoring Framework 2023-24 (OOMF) shall be prepared as per the new format (Appendix-XLIV, see figure 2) circulated vide this Ministry's D.O. letter No. 2(33)- B(P&A)/2018 dated 13th May 2019. The Ministries/Departments shall submit OOMF in the revised format to NITI Aayog (in English and Hindi). Necessary timeline for preparation and submission of OOMF shall be separately communicated by the NITI Aayog to all Ministries/ Departments. NITI Aayog shall finalise the OOMF and forward the same to the Department of Expenditure (PFC-II Division). DoE will review the targets of outputs

and outcomes with reference to B.E. 2023-24 outlay in consultation with DMEO, NITI Aayog and forward the final document to Budget Division.

FIGURE 2: ANNUAL BUDGET CIRCULAR FY 2023-24, APPENDIX-XLIV

APPENDIX-XLIV						
[See Para 12]						
Output-Outcome Framework for Schemes 2022-23						
Name of the Ministry/Department:						
Demand No:						
Umbrella Name (if applicable):						
Scheme Name (CS/CSS)						
Financial Outlay (` in crore)	Outputs 2023-2024			Outcomes 2023-2024		
2023-2024	Output	Indicator (s)	Target 2023-2024	Outcome	Indicator (s)	Target 2023-2024

Scheme Design Stage (EFC/SFC proposals¹¹): The Logical framework, a globally accepted best practice, was introduced for outlining the scheme’s design and M&E aspects. The EFC/SFC proposal forms the basis of scheme guidelines, which is regularly referred to during scheme implementation, monitoring, evaluation and appraisal process. In the absence of understanding of the objectives of the scheme, key indicators to be tracked, their means of measurement and the underlying risk and assumptions at the EFC/SFC stage translate into poorly designed schemes in terms of their quality, efficiency and efficacy of delivery. It further reflects gaps while monitoring and for conducting periodic evaluations. This hinders not only the scheme implementation (setting responsibility and accountability across various activities) by limiting evidence-based tactical manoeuvring but also, by constraining the effective and objective assessment of scheme performance at a strategic level.

To identify the scheme level key outputs and outcomes, address the above-mentioned issues and suggest a structured approach to scheme design, a log frame can be used by the sponsoring Ministry/ Department during the scheme proposal draft phase.

A Review committee set up by Secy, D/o Expenditure on 16.06.2021 to review the standard EFC/SFC template used for new schemes and ongoing schemes. The Proposal review committee chaired by DDG, DMEO with members from DMEO, D/o Expenditure and PAMD, NITI Aayog. The Committee undertook a detailed review of EFC/SFC template to improve the relevance, accuracy, and coherence of the information brought out by the template. Recommendations accepted by Secretary, DoE and revised template has been adopted across all M/Ds w.e.f. 1st September, 2021 onwards (OM 42(02)/ PF-II/2014 dated 9th August 2021). Revised EFC/SFC template is mentioned in figure 3 below.

11 Schemes appraised by the Expenditure Finance Committee (EFC) Chaired by the Expenditure Secretary (> Rs 500 Cr) or the Standing Finance Committee (SFC) Chaired by the Secretary of the Admn. Dept. (>100 and up to 500 Cr) or by the Financial Adviser (up to Rs 100 Cr).

FIGURE 3: REVISED EFC/SFC TEMPLATE

Item	Objective statement	Indicators	Means of verification (Data source)	Important assumptions	Risks involved		Base-line Year	Base-line Value	Target				
					Risk Definition	Risk Severity (Low / Medium / High)			Fiscal Year "A-B"	Fiscal Year "B-C"	Fiscal Year "C-D"	Fiscal Year "D-E"	Fiscal Year "E-F"
Outcome													
Output													
Activity													
Input													

Output Efficiency- the ratio of targeted change in outputs to budgeted expenditure (to be calculated for each year) taken on each output indicators.

Stages in developing an outcome budget

There are four main stages in developing an outcome budget:

Stage 1: Develop goals and outcomes and identify indicators that would be used to measure progress.

Stage 2: Implement the plan within the defined framework and link each of the activities to the indicators.

Stage 3: Measure the indicators and monitor progress

Stage 4: Review performance and correct course (e.g.: annual review meetings at the scheme level)

Out of the four stages, measuring and tracking progress is crucial since this information is used to inform budgetary and policy decisions. It helps us understand the efficiency of the programme/scheme. This process of measuring progress along key indicators is called outcome monitoring. Outcome monitoring includes - efficient data collection, meticulous data cleaning, and analysis. This is a decentralised process that can be undertaken at the programmatic level, agency level¹², or state level. (“The Role of Outcome Monitoring in Evidence-Based Policymaking ,” 2018). As part of the Stage 4, governments should not only evaluate progress against targets, but also review the adequacy of the performance framework, such as by revising the metrics used to inform progress.

Terminology related to outcome budgeting

There are a lot of concepts and terms that have been used in the literature on outcome-based budgeting. This section provides an overview of these concepts and terms.

¹² Includes government departments, parastatals, or any third party empanelled by the government.

TABLE 1: DEFINITION OF BUDGETING TERMS

Terminology	Definition
Line item- based budgets	In a line-item system, expenditures for the budgeted period are listed according to objects of expenditure, or “line-items.” These line items state the amount a unit would spend on areas like salaries, travelling allowances, or office expenses.
Performance budgeting	In performance budgeting, policymakers use performance information to inform the budgeting process. Under this, expenditures are linked to programme outputs and outcomes. The concept may also be referred to as results-based budgeting.
Programme budgeting	Programme budgeting is a version of performance budgeting. It is a budget classification that groups together expenditures with related policy objectives to better assess the results of spending.
Outcome budgeting	Similar to performance budgeting, outcome budgeting aims to link spending with results. However, under outcome budgeting, a government would allocate funds towards the achievement of specific outcomes, rather than to programmes or activities.
Input	Inputs refer to the resources used and activities that we do as a part of the programme. It includes financial, human, and physical resources such as money, time, staff, expertise, and facilities among others.
Activity	Activities are the specific actions that are directed towards bringing about outcomes and impact in a program. The type of actions differs with different actors and implementing agencies.
Output	Output refers to tangible delivery of products and services that are delivered to the beneficiaries as part of the programme. It is usually a direct, tangible result of the activities performed, i.e., the number of people served, the activities or services provided, and so on. E.g.: ‘100 packets of food were distributed to flood victims.
Outcome	Outcomes are the short to medium-term effects, which is a precondition to accomplishing the long-term goal/objective. It is a set of meaningful changes for the beneficiaries served, such as anticipated changes in knowledge, skills, attitudes, behaviour, and practice.
Goal	Goal refers to the longest-term and indirect effects or objectives intended to be achieved. Example - For a disaster relief programme, the impact could be ‘Reduced risks of disaster and improved resilience’. Goals are generally difficult to measure since they may or may not happen within a given time frame. They may take a longer time period to materialise. These results are determined by evaluations that attribute the change to the programme and factor out other explanations.

Terminology	Definition
Assumptions	Assumptions are underlying conditions that need to be met to ensure the programme achieves its intended goals
Risks	Risks are the external conditions that may affect the achievement of the desired results and completion of planned activities. These are the conditions over which the project has minimal or no control and is subjected to factors that are beyond the scope of the project.

Note: The above-mentioned terminologies pertain to Outcome-based budgeting, and are defined by DMEO, CLEAR/J-PAL South Asia and others.

Source: (Government of India Second ARC, 2009; DMEO, 2022b; Kettner et al., 1990; Martin, 2000; (OECD 2007)):

Advantages and challenges of outcome budgeting

Outcome-Based Budgeting is a very useful budgeting tool. Some of the advantages of this method have been listed below:

- * It can help improve transparency in budgeting since the allocation of funds can be linked to the evaluations of the impact of an intervention.
- * Opportunity for greater stakeholder engagement and participation as outcome metrics could be developed in a collaborative, bottom-up approach.
- * Efficient and optimal resource allocation: An outcome-based budget can inform spending decisions based on how a programme performs. For instance, funds spent on a persistently under-performing programme may be best spent elsewhere. In certain cases, a government could determine the unit cost per output to assess the efficiency of a programme or activity, like the cost to operate a health clinic.
- * Iterative course correction: Since funding and performance are linked, there is a need for continuous monitoring and evaluation. The feedback loop helps create an iterative process where interventions are optimised with the intention of improved outcomes.

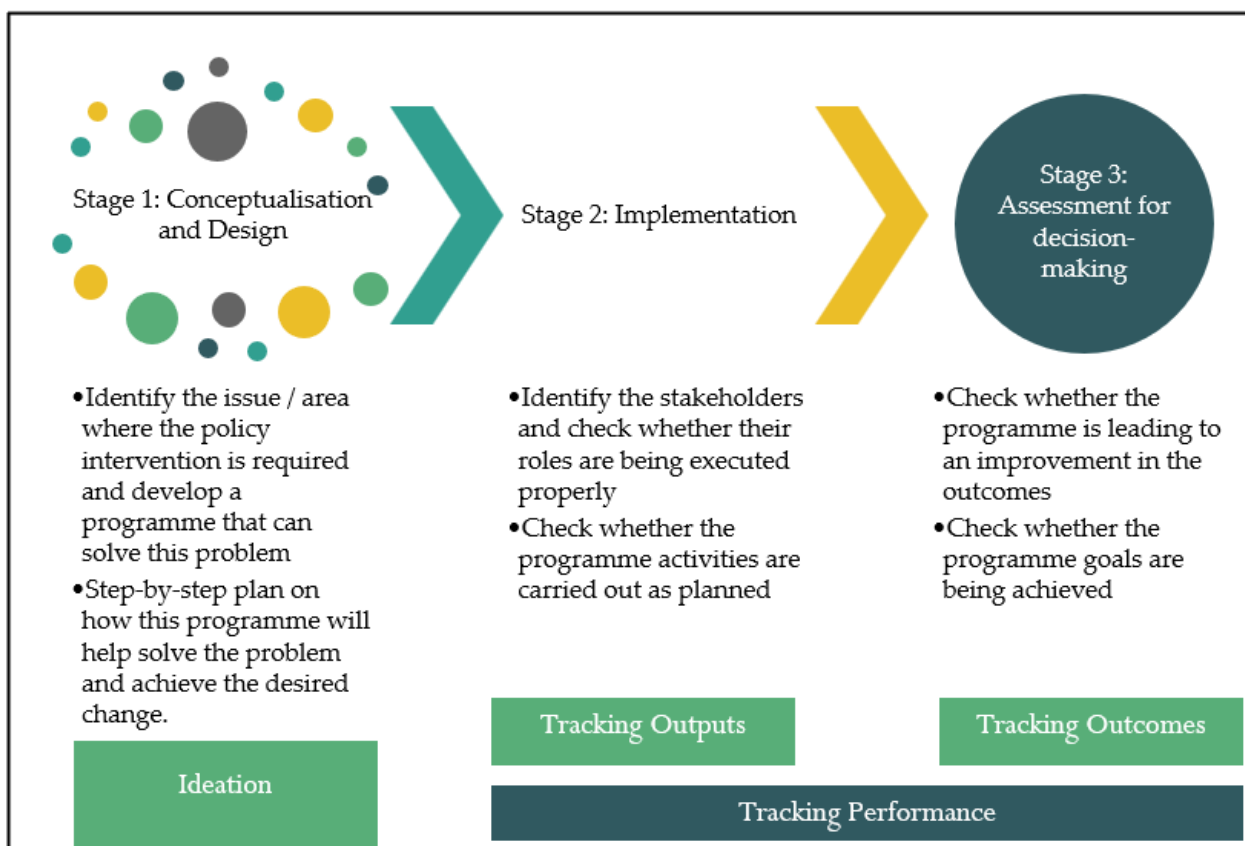
In the short-run, an overhaul of the budgeting system to an outcome-based approach can lead to inefficiencies such as incorrect metrics, greater processing time and additional M&E costs primarily due to lack of familiarity and experience of the staff with outcome budgeting protocols (Kristensen et al., 2002). It is important to be mindful of the shortcomings of this approach and adopt practices that help overcome these challenges. However, with a proper and transparent institutionalisation of the outcome budgeting process, the benefits could outweigh these initial lags and costs.

The next section talks about different best practices on outcome-based budgeting from across the world and specific states in India. These practices will help in understanding the pre-requisites for preparing a robust outcome budget and provide suggestions on how to mitigate challenges in the process.

Best practices for outcome budgeting

The best practices have been categorised based on the phases in the lifecycle of a programme—the conceptualisation and design phase, the implementation phase and the assessment and decision-making phase. The infographic below illustrates the meaning of each of these phases. Some of the practices are relevant throughout the lifecycle of a programme and have been grouped under a fourth category named “All phases”

FIGURE 4: PHASES OF OUTCOME-BASED BUDGETING



Source: CLEAR/J-PAL Training Resources

The best practices have been categorised across the phases as mentioned above and that which covers examples from global practices, India context at the Centre and State level. As per the table 2, we have collated best practices from across the world on designing, implementing and assessment of outcome budgets. This is mostly based on secondary research (literature review) of studies conducted by multilateral organisations, outcome budgets released by states and countries, guidelines on implementing outcome budgets etc.

TABLE 2: BEST PRACTICES ON OUTCOME-BASED BUDGETING, BY BUDGETARY PHASE

Budgetary Phase	Best Practice	Country/sub-national level
Conceptualisation and Design Phase	Best practice 1.1: Aligning department/sub-national goals with national and global development goals	Austria: Outcomes linked to international and national strategies Sweden: Common activities structure Assam, Haryana and Jharkhand: Linking scheme level goals and outcomes to the global SDGs
	Best practice 1.2: Collaborative goal-setting and anticipating risks	Mauritius: bilateral policy dialogues New Zealand: Outcome risks mapping
	Best practice 1.3: Clearly defined short-term and long-term goals with set timelines	Mauritius: Interlace medium-term objectives with the Medium-Term Expenditure Frameworks Bilateral policy dialogues Mexico: National Development Plan Australia: Intergenerational reports
	Best practice 2.1: The results framework	Morocco: Chain of indicators framework guideline
		New Zealand: Results bases approach by New Zealand’s Ministry of Foreign Affairs and Trade (MFAT)
		India: DMEO’s Output-Outcome Monitoring Framework (OOMF)
	Best practice 2.2: Identify clearly define assumptions	Delhi, India: Outcome budget with risk factors/remarks column
	Best practice 3: Defining key performance indicators	Mexico: Results-based budget

Budgetary Phase	Best Practice	Country/sub-national level
<p>Implementation Phase</p>	<p>Best practice 4: Identifying data sources</p>	<p>Morocco: Information Master Plan (information inventory) Ohio, USA: Longitudinal Data Archive (University partnership model)</p>
	<p>Best Practice 5: Independent Audit of Programme Assumptions</p>	<p>Canada: The New Brunswick Institute for Research, Data and Training database (Academia partnership model)</p> <p>Bolivia : Legal Requirement of Independent Review Chile : Independent Review Panel Mexico & Venezuela : Review by Legislative Body</p>
	<p>Best practice 6: Clearly defined roles and responsibilities on preparing the outcome budgets and accountability for outputs and outcomes</p>	<p>New Zealand: Output-outcome division of R&Rs Denmark: Performance management model Bulgaria: Budget procedure India: Division of roles and responsibilities under the OOMF Arunachal Pradesh, India: Department of Finance, Planning & Investment Tamil Nadu, India: The State Planning Commission (SPC), The Department of Economics and Applied Research (DEAR) and the Department of Economics and Statistics (DES) Odisha, India: Programme Performance Outcome Monitoring Unit, Finance Department Haryana, India: The Swarna Jayanti Haryana Institute for Fiscal Management (Planning and Finance Department of the state) Jharkhand, India: The Planning department</p>

Budgetary Phase	Best Practice	Country/sub-national level
Assessment for Decision Making Phase	Best practice 7: Effective review systems to track and use the information on indicators	<p>Australia: Outcome focused performance dashboard</p> <p>Mauritius: Performance outcome reports</p> <p>United Nations: Report Cards Scorecards</p> <p>India: DMEO's outcomes dashboard</p> <p>Delhi, India: Performance/outcome reports</p>
	Best practice 8: Auditing the performance information	<p>Australia: Independent audit authority, Australian National Audit Office</p> <p>France: Internal Audit Harmonisation Committee</p> <p>India: The Comptroller and Auditor General of India</p>
	Best practice 9.2: Funding and resource allocation decisions	The Republic of Korea: Performance Management System
	Best practice 10: Using information to compare and track progress	<p>Sweden: Outcome Budget report</p> <p>Delhi, India: Baseline vs targeted values of outcome</p>
	Best practice 11: Institutionalising evaluations	<p>Mexico: Annual evaluation of programmes</p> <p>Chile: Ex-ante evaluation plans</p> <p>India: DMEO's evaluation of CSS and CS</p> <p>Karnataka, India: State Evaluation Policy and Evaluation Authority</p>
	Best practice 12: Apex body to monitor and evaluate performance	<p>Mexico: National Council for the Evaluation of Social Development Policy (CONEVAL)</p> <p>Bhutan: Gross National Happiness Commission</p> <p>India: Development Monitoring and Evaluation Office, NITI Aayog</p> <p>Karnataka, India: Karnataka Monitoring and Evaluation Authority</p> <p>Odisha, India: Programme Performance and Outcome Monitoring Unit (PPOMU)</p>

Budgetary Phase	Best Practice	Country/sub-national level
All Phases	Best practice 13: Legal Mandate for the outcome budget	New Zealand: Fiscal Responsibility Act (1994) Mauritius: Finance and Audit (Amendment) Act of 2008 India: Rule 54 of General Financial Rule 2017
	Best practice 14: Well-structured budget	Mauritius: Mauritius programme budget Mali: Two-part budget Delhi, India: Outcome budget statement Jharkhand, India: Outcome budget for each department
	Best practice 15: Detailed and clear documentation on all stages of the outcome budgeting cycle	Morocco: Guidelines document on performance monitoring New Zealand: Ministry of Foreign Affairs and Trade (MFAT)'s guidance document on developing a results framework Australia: Budget guide with overview of terminology and processes India: DMEO's OOMF Framework Jharkhand, Bihar and Chhattisgarh, India: Multi-lingual budgets
	Best practice 16.1: Integrating scheme delivery with monitoring	Nepal: Central Bank of Nepal's Dashboard for Financial inclusion data tracking India: Central government schemes-Geospatial Management Information system for Smart Cities (GMIS), Swachh Bharat Mission's data tracking system and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) web Portal.
	Best practice 16.2: Budget digitisation	Mauritius: e-Budget Korea: dBrain Odisha, India: Budget Execution Technique Automation system (BETA) Jharkhand, India: Comprehensive Outlay of Budgetary Transactions (COBT)
	Best practice 17: Capacity Development	France: France's learning curve India: Capacity building initiatives on outcome- based budgeting and other related areas.

The shift to outcome budgeting in India is quite recent compared to developed countries like Denmark and Sweden which have been practicing performance-based budgeting since the 1990s (Robinson & Last, 2008) (Curristine, 2005). Despite this, the central and state governments in India have actively taken several initiatives to adapt to the new budgeting system. We conducted a short data collection exercise to identify challenges faced by Indian states in implementing this system and practices that they have adopted to overcome these. The survey was conducted across state governments of Andaman and Nicobar Islands, Arunachal Pradesh, Assam, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Odisha, Rajasthan, Tamil Nadu and Telangana.

FIGURE 5: MAP OF INDIAN STATES THAT PARTICIPATED IN THE OUTCOME BUDGETING SURVEY



Conceptualisation and Design Phase

In this phase, policymakers identify the problem / policy issue and work towards identifying and developing potential solutions. This includes finalising goals and activities, developing a results framework, identifying and listing risks and assumptions in the process among others. It is important to note that the planning process for programme monitoring and assessment needs to begin at this stage. Given below are some best practices for outcome budgeting that can be adopted in this phase.

Best practice 1: Prioritising goals and setting timelines

Best practice 1.1: Aligning department/sub-national goals with national and global development goals

In a federal and multi-level government structure like India, there is fiscal decentralisation. This means that a fair amount of the planning, goal setting and resource allocation lies with governments at the sub-national level (i.e. panchayats, line ministries, departments etc.)(World Bank, 2010).

In such contexts, it is important to ensure that all the ground-level planning, activities and efforts are well aligned with national and global development goals similar to how it is currently done in India. At the global level, the 17 sustainable development goals (SDGs) are widely accepted and acknowledged as global development goals by the United Nations Member states. All these goals are interlinked and work towards a common mission – to ensure “peace and prosperity for the people and the planet, now and into the future (United Nations, 2022).” In India, goals at the national and state levels are aligned with the National Development Agenda and the SDGs. This also means that at the state level, the emphasis is in localising SDGs to adapt to the specific context.

Outcomes linked to international and national strategies in Austria

In Austria, the outcomes listed in the budget are in line with the government’s strategies at the national level as well as international goals set by the European Union. The government also provides the rationale for linking each of these outcomes to specific national and international goals. The Federal Performance Management office (FPMO) conducts a quality check of the objectives and indicators proposed in the budget and makes recommendations to the line ministries. The ministries need to make amendments to their objectives based on the recommendations proposed by FPMO. (Policy Analyst, 2018)

Common activities structure in Sweden

Sweden has a multi-level governance structure - national, local and regional. In addition to this, they are also governed by the European Union’s regulatory framework (Offices and Government Offices of Sweden 2015). Before 2001, multiple autonomous players designed and implemented policies across several levels of governance in the country. This resulted in a huge asymmetry between large agencies¹³ and small departments. In response to this, the Swedish administration came up with a set of uniform activities to better structure the government activities and identified a list of policy areas for various levels of the government. According to the 2001 budget document, individual agencies’ activities need to reflect the goals of each policy area. The agencies prepare performance reports and the government uses these to assess the extent to which goals have been attained. (Küchen & Nordman, 2008)

13 In Sweden, each ministry is responsible for a number of government agencies tasked with applying the laws and carrying out the activities. At present there are around 350 agencies in Sweden.

Indian states linking outcomes to SDGs

In India, Assam, Jharkhand and Haryana link their scheme level goals and outcomes to the global sustainable development goals. This practice helps departments align their outcomes with global development goals and provides a benchmark against which they can measure progress.

Assam

In Assam, around 40 departments link each of the outputs and outcomes to SDGs in their outcome budgets. Outcomes and connects these to the corresponding SDGs. (Open Budgets India, 2020).

The table given below shows the outcome budget for one of the Centrally Sponsored schemes - the National Health Mission. The objective of the National Health Mission of the Government of Assam is - “attainment of universal access to equitable, affordable and quality health care services, accountable and responsive to people’s needs, with effective intersectoral convergent action to address the wider social determinants of health”. The table also lists progress on outputs and outcomes measured under this scheme. In the last two columns, the department has identified the SDG that the scheme falls under. In this case, it is SDG - #3 (Good Health and Well-being). The budget document also specifies the SDG indicator corresponding to this goal which is - “reduce the global maternal mortality ratio to less than 70 per 100,000 live births”.

TABLE 3: ASSAM’S OUTCOME BUDGET DOCUMENT 2020-21

Name of Scheme Programme	Objective of the Scheme/ Programme (expected outcome)	Budget Estimates (In Lakhs)			Quantifiable Output Deliverable against the Outlay			Outcome (with reference to the budgetary outlay and the stated objective)	Sustainable Development Goals	
		2018-19	2019-20	2020-21	2018-19	2018-20	2020-21			
[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	
CSS-AMM	Attainment of Universal Access to Equitable, Affordable and Quality health care services, accountable and responsive to people’s needs, with effective inter- sectoral convergent action to address the wider social determinants of health	145363.15	14950.00	149160.60	<ul style="list-style-type: none"> * Total OPD in 2018-19 (Apr-Dec) = 2,79,33,346 beneficiaries * Total IPD in 2018-19 11,90,880 * Institutional Delivery against reported delivery is 89.7% in 2018-19 (Apr Dec) * Full immunisation of children - 79% against proportionate target for 2018-19 (Apr-Dec) * No. of “patients who availed free services under CM’s Free Diagnostics services- 20,37,809 up to 31st December 2018 (CT Scan- 1,99,628; X- Ray- 5,43,525 and Laboratory services 12,94,336) 	<ul style="list-style-type: none"> * Total OPD in 2019-20 (Apr-Dec) 316.00 Lakh * Total PD in 2019-20 (Apr-Dec) - 13.25 Lakhs * Institutional Delivery against reported delivery is 91% * No. of patients who availed free services under CM’s Free Diagnostics services 43,09,251 (X-Ray – 11,32,363, CT-Scan – 3,87,961, Laboratory Services 27,88,927) 	<ul style="list-style-type: none"> * Increase- OPD by 5% * increase in IPD by 3% * Institutional >92% * Operati onalitati on of 21 dialysis centres * Operati onalitati on of 2209 HWCs 	<ul style="list-style-type: none"> * The Maternal Mortality Rate (MMR) recorded 251 points (52.29%) drop in MMR * The Neo- natal Mortality Rate (NMR) currently is at 22 (2017, SRS). NMR of the State has come down from 33 (2005, SRS) * Infant Mortality Rate (MR) reduced by 24 points from 68 (2005, SRS, RGI) to 44 (2017, SRS, RGI) * Under 5 Mortality Rate (U5MR) has decreased from 88 (2008, SRS) to 48 (2017, SRS). 	3- Health and Well Being	3.1 – By 2030, reduce the gross maternal mortality ratio to less than 70 per 100,000 live births

Name of Scheme Programme	Objective of the Scheme/ Programme (expected outcome)	Budget Estimates (In Lakhs)			Quantifiable Output Deliverable against the Outlay			Outcome (with reference to the budgetary outlay and the stated objective)	Sustainable Development Goals	
		2018-19	2019-20	2020-21	2018-19	2018-20	2020-21			
[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	
					* Total 19,00,027 patients treated in 44,160 camps till 31st December 2018 through 130 Mobile Medical Units (MMUS)	* 130 numbers of Mobile Medical Units (MMUS) are operational to provide Comprehensive Primary Healthcare services, out of 80 which to MMUs are deployed dedicatedly for Tea Gardens, remaining 50 MMUs are for Non-Tea garden areas. Total 38,94,818 patients treated in 81,312 camps organised by these MMUs. Total 445 Tea gardens are covered by MMUS. * Under Pradhan Mantri National Dialysis Programme, 17 Free Dialysis Centres made operational and total 15,208 numbers of free dialysis sessions are conducted * Under Ayushman Bharat Scheme, a total of 1,061 Health & Wellness Centres has already been made operational in the State out of which 755 Sub Centre, 258 Primary Health Centre and 40 Urban Primary Health Centres.		* A 21 points drop of Under 5 Mortality Rate was achieved in the last 3 years where U5MR has come down to 52 (2016, SRS) per 1,000 live births from 73 (2013 SRS).		

Haryana

The Government of Haryana released its first outcome budget in 2021-22. This budget systematically aligned development goals at the scheme level to SDGs. Each department lists the vision, mission, major objectives, key schemes, focus areas and all the SDGs that the schemes impact. Haryana's outcome budget structure has been given below:

The table below lists the outputs, outcomes and maps them to the relevant SDG.

TABLE 4: HARYANA'S OUTCOME BUDGET REPORT 2021-22

Department / Scheme	SDG No.	SDG Indicator		BE Outlay 2023- 23 (tin crore)	Expected Outcome	Output Indicator	Indicator Unit	Proposed Target 2022-23
9-01-27-2401-51-105-84-51-Scheme on National Project Management of Soil Health & Fertility	02	2.4	2.4.2	58.30	Improved soil health, fertility and crop production	11-Subsidy, soil testing and soil health cards to farmers Refiling Kits (M&S) Kisan Shayak/Science students of GSSS/ College	* No. of subsidy * No. of kits * No. of students	* 2500000 * 5000 * 12000
						Batches (Training)	No. of batches	15
						Speakers	No. of speakers	70
						Lectures (Training)	No. of lectures	3050

Source: SDG Coordination Centre Finance Division 2021

Jharkhand:

The Government of Jharkhand does SDG mapping at the scheme level. Each of the schemes are mapped to specific SDGs¹⁴. The table given below is an example of Jharkhand's outcome budget.

TABLE 5: JHARKHAND OUTCOME BUDGET, DRINKING WATER AND SANITATION DEPARTMENT

Detailed Report										
Department Name : 36 - Drinking Water and Sanitation Department										
Name of the State Scheme/Programme :										
Name of the Centre Scheme/Programme : 9151 - SBM-RURAL (DWS)										
Objectives	Output indicators	Output	Unit of Measurement	Financial Outlay (in Lakhs) (2021-22)	Social Category	Gender Category	Outcome Indicators	Outcome	Sustainable Development Goals	Risk Factors/Any Other Remarks
1	2	3	4	5	6	7	8	9	10	11
Name of the Sub Scheme/Programme : 22000295-SWACHH BHARAT MISSION (G) / स्वच्छ भारत मिशन (ग्रामीण)										
To filling the gap to sustain ODF status/ ओडीएफ स्थिति को बनाए रखना	Access to toilet by constructing IHHL and community sanitary complex (CSC) / व्यक्तिगत एवं सामुदायिक शौचालयों का निर्माण कर लोगों तक शौचालय सुविधा की उपलब्धता सुनिश्चित की जाएगी।	Access to toilet by constructing IHHL and community sanitary complex (CSC) / व्यक्तिगत एवं सामुदायिक शौचालयों का निर्माण कर लोगों तक शौचालय सुविधा उपलब्ध कराना	Number	₹1,00.00	All	All	All households in rural areas have access to a toilet and continued behaviour change for cleanliness/ ग्रामीण क्षेत्रों के सभी घरों में शौचालय का पहुंच और स्वच्छता व्यवहार में निरंतर परिवर्तन	People will practise safe and hygiene behavior/ लोग स्वच्छ तथा सुरक्षित व्यवहार अपनाएंगे	Goal 6 : Ensure availability and sustainable management of water and sanitation for all/ सभी के लिये स्वच्छता और पानी के सतत् प्रबंधन की उपलब्धता सुनिश्चित करना।	Plan will be executed if scheme sanctioned

Source: Drinking Water and Sanitation Department (2021)

14 This information is from the Key Informant Interview (KII) conducted by the DMEO and CLEAR South Asia team with the Planning Department, Government of Jharkhand.

Suggestions to implement the best practice:

- * Need to provide an orientation to the staff members of the departments so that they are better able to understand SDGs and national goals so that they are able to map it appropriately.
- * If there is more than one goal that a scheme falls under, the states should connect it to the primary SDG as well as the secondary goals. In this process, it is important to have a pre-defined criterion to categorise these into primary and secondary goals.

Best practice 1.2: Collaborative goal-setting and anticipating risks

While developing the outcome budget, it is necessary to account for such unintended risks and consequences on other departments. There might be possible risks if each department sets their goals independently. For example, the Environment department's goal might be to maintain/sustain forest cover. The Ministry of Urban Development and Planning's goal might be to develop infrastructure. Some of the activities of the urban development ministry might hinder the Environment department from achieving its targets. If the urban development ministry mentions in the risk factors column that "the developmental activity will need "xyz" acres of forest land – for the forest department's notice", it shows that the departments are aware of the risk factors and have communicated this with each other.

Bilateral policy dialogues in Mauritius

Mauritius follows a collaborative goal setting process wherein ministries have bilateral policy dialogues which help them review and arrive at a consensus on strategic policy priorities. Every year, the Minister of Finance, Economic Planning and Development has meetings with other ministries before the budget presentation. (Government of Mauritius (Port Louis), 2021)

Outcome risks mapping in New Zealand

In New Zealand, there are certain consultation requirements that the agencies (departments) need to follow. Risk mapping, especially for vulnerable populations, is one such requirement. For example, for cabinet papers (policies) that might have implications on women, the agency needs to discuss this with the Ministry of Women's Affairs. The country also has "population ministries" for specific vulnerable sections of the population. Their primary role is to identify and manage outcome related risks and consequences on vulnerable sections of the society. (Ussher & Kibblewhite, 2002)

Identifying risks and assumptions in India

In India, it is the responsibility of the Expenditure Finance Committee and Standing Finance Committee to review scheme proposals to continue existing schemes and introduce new schemes. In 2021, Ministries and Departments started incorporating the Output Outcome Monitoring Framework. As a part of this, Ministries and Departments need to identify risks and assumptions while defining output and outcome level indicators. Such a system nudges the Ministries and Departments to identify convergences with their counterparts and put in place a project management unit to monitor the same.

In addition to this, the Department of Expenditure holds pre-budget discussions with Ministries and Departments at the central level. This acts as a review process on the performance in the past financial year before finalising the budget for the following year.

In a nutshell, the best practice here is to be cognisant of the other department's needs and set mutually agreed upon goals and realistic targets.

Suggestions to implement the best practice:

- * Right after setting goals and targets, each department can have consultations to identify potential risks to goals of other departments (especially those targeted at improving the welfare of vulnerable populations¹⁵).
- * The State's apex M&E institution or a department with common interests (e.g.: The Department of Finance) can set up a project management unit / team to review the goals of all the departments to identify and map risks. This can even be commissioned out to a third party.
- * Similar to the practice followed by Delhi and Jharkhand, states can have a remarks column to explicate potential risks (as a consequence of achieving the outcomes) and mitigation strategies, if any. In Jharkhand, the information entered in the remarks column helps in inter-departmental coordination. In some cases, departments also use this column to highlight the need for more resources.¹⁶
- * At design and proposal stage itself it is suggested to design any scheme/project as per the logical framework to define the indicators and its associated risks and assumptions.

Best practice 1.3: Clearly defined short-term and long-term goals with set timelines

Most budgets focus on performance over the next financial year. But, in some cases, it takes time for the change to reflect on longer term indicators involving behaviour change (Barry H. Potter & Jack Diamond, 1999). There is a possibility of misinterpreting the performance on such outcomes and deprioritising schemes where the intended behavioural change takes a long time to manifest.

It is important for departments to identify and clearly define both short-term and long-term goals with set timelines. It is straightforward to incorporate short-term goals in the planning process since budgets are usually prepared annually. But some countries have identified the need to adopt a slightly longer-term approach to budgeting to measure progress. Examples have been given below.

Interlace medium-term objectives with the Medium-Term Expenditure Frameworks

One way to bring in the medium-term perspective is to interlace these objectives with the medium-term expenditure frameworks (MTEF)¹⁷. In Mauritius, ministries and key departments prepare and revisit the performance budget on a three-year rolling basis. This was implemented in 2008 as a part of the Kingdom of Morocco's Finance and Audit (Amendment) Act. Under this, departments need to submit the expenditure estimates along with outputs and outcomes as a part of the MTEF.

Examples of other countries that have included performance indicators as a part of their medium-term frameworks include Tunisia, Mali (Fölscher, 2012), and Bulgaria where the implementation of performance-based budgets along with MTEFs (Kasek & Webber, 2009) has strengthened the system's sustainability.

15 Vulnerable populations include the economically disadvantaged, racial and ethnic minorities, the uninsured, low-income children, the elderly, the homeless, those with human immunodeficiency virus (HIV), and those with other chronic health conditions, including severe mental illness. (Vulnerable Populations: Who Are They?, 2006)

16 This information is from the Key Informant Interview (KII) conducted by the DMEO and CLEAR South Asia team with the Planning Department, Government of Jharkhand.

17 Medium-term expenditure frameworks (MTEFs) are an important tool for overcoming the limitations of the annual budget cycle by adopting a medium-term perspective for achieving government fiscal objectives. They generally span a period of at least three years beyond the current budget. MTEFs are typically defined by combining expenditure ceilings and a baseline estimation of government policies' costs that are continually updated." (Government at a Glance Southeast Asia, 2019)

Mexico's National Development Plan

In Mexico, at the start of the new six-year Presidential term, the Administration publishes a National Development Plan (NDP) that outlines broad goals, objectives, and actions items for the entire period. For instance, the most recent NDP was published in 2019 shortly after President Lopez Obrador took office and covers his term during 2019 to 2024 (Government of Mexico 2019). The annual budget is then linked to the NDP's objectives to actualise progress over the six-year period. This also helps the government identify policies that actually contribute towards achieving national level goals and eventually the SDGs at the global level (Blazey & Nicol, 2018).

Australia's intergenerational reports

Very few countries take into consideration a very long-term perspective and one such example is Australia. The country prepares "Intergenerational reports". "An intergenerational report is to assess the long term sustainability of current Government policies over the 40 years following the release of the report, including by taking account of the financial implications of demographic change." (Costello, 2002). The report includes a projection on how the economy will be over the next 40 years and expenditure by sector over the longer term (Commonwealth of Australia, 2021). Australia's intergenerational report does not have a section on outcomes and objectives. But, this is an example of a method that can be used to bring in the longer- term perspective.

Suggestions to implement the best practice

- * States in India can develop the MTEF – the medium-term outcomes, which can be systematically measured and tracked once in three years.
- * Reviewing outcomes in the medium term can be incorporated into the existing Expenditure Finance Committee/Standing Finance Committee¹⁸ template that departments fill out.
- * While Australia doesn't explicitly include longer term objectives in the intergenerational report, this is something that can be considered. Such reports will give an overview of past expenditure, anticipated expenditure and potential impact of programmes in the longer term. This also indicates that the government is adopting a sustainable approach to budgeting.

18 The process of incorporating Log-frame in the Department of Expenditure's (DoE's) appraisal processes was carried out by the review committee set up by the Secretary, DoE, on 16.06.2021 to review the standard EFC/SFC* template used for new schemes and ongoing schemes. The proposal review committee was chaired by DDG, DMEO with members from DMEO, Department of Expenditure and the Project Appraisal Management Division, NITI Aayog. The logical framework, a globally accepted best practice was introduced for outlining the scheme's design and M&E aspects. The recommendations were accepted by the Secretary, DoE and revised template has been adopted across all M/Ds w.e.f. 1st September, 2021 onwards (OM dated 9th August 2021).

Best practice 2: Develop a results framework with clearly defined assumptions

Best practice 2.1: The results framework

According to the World Bank’s Independent Evaluation Group, “A results framework is an explicit articulation (graphic display, matrix, or summary) of the different levels, or chains, of results expected from a particular intervention—project, programme, or development strategy (Roberts & Khattri, 2012).” Such frameworks bring together various streams of results and help to identify how they work towards achieving goals (Results Framework (RF) , 2021). Given below is a basic outline of a results framework.

TABLE 6: OUTLINE OF A RESULTS FRAMEWORK

Country Development Goals	Issues/Obstacles /Critical assumptions	Outcomes expected	Outcomes/Milestones	Use of Monitoring
<p>Statement of first country goal</p> <p>Indicator</p> <p>Baseline: xxxx (2005)</p> <p>Target: xxxx (2010)</p> <p>Additional/alternative indicator Baseline: xxxx (2005) Target: xxxx (2010) [continue with additional indicators or move to next goal]</p>	<p>[critical issues and obstacles to achieving country development goals]</p>	<p>Statement of first outcome</p> <p>Indicator</p> <p>Baseline: xxxx (2005)</p> <p>Midline: xxxx (2007)</p> <p>Target: xxxx (2010)</p> <p>Additional/ alternative indicator</p> <p>Baseline: xxxx (2005)</p> <p>Midline: xxxx (2007)</p> <p>Target: xxxx (2010)</p> <p>Statement of second outputs/ milestone</p> <p>Baseline: xxxx (2005)</p> <p>Midline: xxxx (2007)</p> <p>Target: xxxx (2010)</p> <p>Additional/ alternative indicator (If quantitative)</p> <p>Baseline: xxxx (2005)</p> <p>Midline: xxxx (2007)</p> <p>Target: xxxx (2010) [continue with additional indicators or move to next milestone]</p>	<p>Statement of first output/milestone to be realised within the time of the results framework</p> <p>Indicator (if quantitative milestone)</p> <p>Baseline: xxxx (2005)</p> <p>Target: xxxx (2006)</p> <p>xxxx (2007)</p> <p>xxxx (2008)</p> <p>xxxx (2009)</p> <p>xxxx (2010)</p> <p>Additional/ alternative indicator (If quantitative)</p> <p>[continue with additional indicators or move to next milestone]</p> <p>Statement of second outputs/ milestone</p> <p>[Continue as above]</p>	<p>[short descriptive text highlighting how the information will be used]</p>

Source: Collange, Demangel, and Poinsard 2006

A clearly defined results framework will enable the department to map the inputs of a programme to the expected causal pathway i.e. the outputs and outcomes of the programme (Table 1: Definition of Budgeting terms). This is an essential prerequisite for outcome budgets.

Morocco government’s guideline – chain of indicators framework

The Kingdom of Morocco has developed a guideline document on outcome-based budgeting for all francophone countries. In this guideline, they propose a chain of indicators framework. Under this framework, they identify two kinds of results – intermediate results and final outcomes or goals. The former refers to changes that can be directly attributed to the programme and the latter refers to longer-term changes that cannot be attributed to a single programme but occurs on account of multiple programmes (Collange et al., 2006).

TABLE 7: SOURCE: THE KINGDOM OF MOROCCO’S GUIDELINE DOCUMENT

Goals	Means (inputs)	Products (outputs)	Intermediate and Final Results (outcomes)	
			Intermediate results directly attributable to the programme	Final results (or impacts) not entirely attributable to programme
Purpose of an action. The achievement of an objective is measured by one or more indicators	The human, organisational and physical resources used by the programme	All of the productions of a programme		
Improving the quality of secondary education	Help with teacher training	Number of trainings dispensed	Number of teachers trained	Retention rate in secondary education
Improving the supply of basic health care	Rehabilitation of basic health facilities	Number of training courses rehabilitated	Attendance rate of rehabilitated centres	Health coverage rate
Improving road safety	Preventive campaign on the dangers of speeding	Number of messages broadcast in the media	Number of speeding offenses	Number of road deaths
	Rehabilitation of basic health facilities	Kilometres of rehabilitated roads	Number of accidents on the rehabilitated network	Number of road deaths
Promote the integration of young people into the world of work	Number of initial trainings provided	Number of graduates	Graduate integration rate	Youth employment rate
Promoting the fight against unsanitary housing	Land offer serviced at low cost	Number of prizes awarded	Degree of valuation of batches by households	Reduction in the number of residents seeking housing in slums
Improve the performance of the irrigation network	Subsidies in favour of ORMVA	Length of the rehabilitated network	Rate of return of irrigation networks	Growth rate of agricultural production

Source: Collange, Demangel, and Poinard 2006

Results based approach by New Zealand's MFAT

New Zealand's Ministry of Foreign Affairs and Trade (MFAT) uses a results-based approach to design and manage their activities. Given below is an example of a results framework with short, medium and long term objectives and indicators – they use this template to map outputs and outcomes to goals. (New Zealand Ministry of Foreign Affairs and Trade (MFAT), 2016)

TABLE 8: NEW ZEALAND'S MINISTRY OF FOREIGN AND TRADE (MFAT) RESULTS-BASED APPROACH (2016)

Results	Indicators	Targets	Baseline	Methodology and Data source
Long-Term Outcomes				
Improved health of the Community	1. Cause specific morbidity rates (per 100,000)*	460 (2012) and 400 (2015)	Baseline: 450 (2005) and 470 (2010)	Information is available each October from the MoH. There is a one year lag in available information.
	2. Selected infectious diseases rates (per 100,000)*	480 (2012) and 420 (2015)	Baseline: 460 (2005) and 480 (2010)	
Medium Term Outcomes				
Increased use of clean water	% of households making use of clean water	All households using clean water (2013)	No information currently available	Information will be collected through a specifically designed survey and captured by the MoH. Available each November.
Short-Term Outcomes				
Improved water quality	% of water testing samples that comply with agreed quality standards	90% of samples comply (2012)	20% of samples comply with quality standards	Information will be collected through a specifically designed audit process and captured by the MoH.
	2. Incidence water borne diseases in the community	30 incidence (2012) and less than 10 incidence (2015)	60 incidence per year	
Outputs				
Wells built	Wells built to specification to time and to budget	12 wells by Jan 2016	No information available	Information will be collected through a specifically designed audit process and captured by the MoH. Information will be available in November.

Source: New Zealand Ministry of Foreign Affairs and Trade

DMEO’s Output-Outcome Monitoring Framework (OOMF)

An example of a results framework in the Indian context is the output-outcome monitoring framework that was introduced by DMEO. The OOMF document is based on the principles of log frame approach or the logical framework. Given below is the OOMF for the electrification project (which is a central sector scheme).

TABLE 9: DMEO OOMF FOR ELECTRIFICATION PROJECT (2022)

15. Electrification Projects (CS)

FINANCIAL OUTLAY (Rs. In Cr.)	OUTPUTS 2022-23			OUTCOMES 2022-23		
	2022-23	Output	Indicator(s)	Target 2022-23	Outcome	Indicator(s)
7,700 ¹⁸⁰	1. Electrification of Railway Network	1.1 Additional commissioning of rail routes on electric traction (Km.)	6,500	1. Reduction in dependence on imported fuel i.e. Diesel oil	1.1 Percentage change in diesel oil consumption for traction purposes in Indian Railways (%)	20

Source: DMEO

The objective of the electrification scheme is to electrify the country’s broad gauge network (Express Infra, 2022). In this framework, the objective is not explicitly mentioned, however output statements and outcome statements followed by measurable indicators are defined as per this framework and against these indicators annual targets are set by the Ministries and Departments. This also lists the target for the next year. The OOMF is a positive reform that reflects a change in the approach from focusing on measuring physical and financial progress to measuring performance on outputs and outcomes.

The main objective of the output outcome monitoring framework is to drive evidence-based policy decisions. The two key components of this framework include - the Output-Outcome Budget component that aligns the financial commitment with the expected results and the Output-Outcome Monitoring component that measures progress of schemes / projects against committed targets.

The design of DMEO’s OOMF framework aligns with international best practices and represents a thoughtful effort to map programme implementation and impact. In addition to the OOMF, India could also consider adopting positive practices from other countries. In Mexico, for example, the results framework includes details on risks, assumptions, and sources for verification (see p. 31 for more information). However, when designing or modifying a results framework, it is important to consider the feasibility of collecting information.

Best practice 2.2: Identify clearly defined assumptions

In the process of identifying the outputs and outcomes and how the programme translates into achieving goals, departments need to identify clearly defined assumptions at each stage (for activities to translate from inputs to programme goals) and incorporate them in the budget. This is because performance on output and outcome indicators is often conditional on certain assumptions.

In 56% of Latin American countries surveyed by OECD in 2006, the Ministry of Finance takes up the primary responsibility to formulate economic assumptions and publish them in the budget documents (Carristine & Bas, 2006) . But there hasn’t been concerted efforts in identifying and listing assumptions as a part of the outcome budgets by any of the countries. Delhi’s outcome budget brings out the assumptions in the remark’s column on an ad hoc basis.

Risk factors or remarks column in the outcome budget

The Government of Delhi’s outcome budget includes a separate column on “risk factors/ remarks”. These sometimes include broad assumptions for certain programmes. Given below is a snapshot of one such assumption. In the table below, we see that the objective of the scheme is to digitise health records. In the risk factors / remarks column, the department has identified one of the assumptions here which is - implementation of the hospital management information system is subject to finalisation from the vendor.

TABLE 10: DELHI OUTCOME BUDGET 2020-2021

Sr. No	Name of the Scheme / Programme and Budget Allocation 2020-21 (Rs. Lakhs)	Objectives	OUTPUTS				OUTCOMES				Risk Factors / Remarks
			Indicator	Achievement 2018-19	Achievement 2019-20 (baseline)	Target 2020-21	Indicator	Achievement 2018-19	Achievement 2019-20 (baseline)	Target 2020-21	
1	2	3	4	5	6	7	8	9	10	11	12
			Number of middle-school libraries newly set up	196	196	196	% of children in middle schools using libraries at least once a month	100%	100%	100%	400 Middle School Libraries were proposed to be established out of which 196 middle school libraries have been setup.
9	Organising of Parent Teacher Meetings (PTMs)/ Summer Camps B.E. - ₹ 4000 lakh	To improve teacher-parent interaction and quality of learning for children	Number of schools that organised Summer Camps	997	994	0	Number of students participating in Summer Camps Average attendance of students at Summer Camps	3,73,000 70%	2,28,006 70%	- 0%	Summer Camp will not be held in session 2020-21 as the schools are closed due to COVID-19.

Source: Government of NCT of Delhi Government (2021)

Suggestions to implement the best practice:

- * The OOMF framework developed by DMEO, NITI Aayog can be adapted and customised to the needs of the department.
- * The revised EFC/SFC template for proposal of new scheme /proposed period of an ongoing scheme by Department of Expenditure (2021) could be adopted for defining assumptions and risks at the inception stage of the project/scheme life-cycle.
- * The departments can make targeted efforts to identify assumptions for each objective and systematically include them in the outcome budget. Similar to the remarks column by the Government of Delhi, departments can include additional columns in the outcome budget document to identify and list the assumptions.

Best practice 3: Defining key performance indicators

Once the department sets goals, outcomes and assumptions, it is important to clearly define key performance indicators as a part of the results framework. Indicators are measures of progress which are pieces of information that help us identify whether a programme is implemented as planned and whether it has helped in achieving the desired change (Programme Performance and Evaluation Office, 2022).

This process is crucial since policy decisions rely on the accuracy and precision of the indicators. Almost all countries / states who have adopted outcome-based budgeting have defined performance indicators. How do we define these indicators? What constitutes a good indicator?

There are various rules and guidelines used across the world like the CREAM (clear, relevant, economical, adequate and can be monitored) rule (A. Shah et al., 2011), SMART (Specific, Measurable, Attainable and action-oriented, Relevant, and Time-bound) indicators, SPICED (Subjective, Participatory, Interpreted, Communicable, Empowering and Disaggregated) (Lennie et al., 2011) indicators etc. Given below is a summary of guidelines on how to choose a good indicator (compiled from multiple sources):

DMEO has adopted the SMART framework for defining indicators. Originally designed as a management tool for project and programme managers to set goals and objectives, SMART criteria soon emerged as a best practice in the field of monitoring and evaluation and developing indicators. A specific indicator will be narrowly defined, and will describe exactly what needs to be measured. A measurable indicator is one which can be aligned with a specific numeric or ranked value to show improvement over time. Defining your indicators for milestones which are realistically achievable is key to success, and also in ensuring that during the conceptualisation phases, the project exists within the realm of what is actually possible to achieve. Ensuring indicators are relevant provides for a consideration of the context in which the project is operating. Finally, time-bound indicators are those which include a date by which you expect to see the change, giving substance and life to the project as a whole.

Adhering to this framework, and having knowledge of it is key in any M&E practice.

TABLE 11: SUMMARY OF GUIDELINES OF HOW TO CHOOSE A GOOD INDICATOR

Feature	Guiding points
Relevant, representative, specific and achievable	It should be able to represent the goal / output /outcome to the maximum extent possible and answer one specific question at a time. The indicator should also be realistic and measure what they are intended to measure (Centre of Excellence for Evaluation, 2010).
Number of indicators	Ideally, per goal, there can be 3-4 well-chosen indicators. Using just one indicator may not give a complete picture and using too many might result in waste of resources because the data on additional indicators may not be used in the decision- making process.
Comparable and consistent	Wherever possible, the indicators should be represented as percentages (proportion of the total) and not absolute values. For example, if we measure the number of people who have availed the benefits of a scheme – the indicator can be – percentage of people who have availed the benefits. This is a more realistic measure that departments can use to compare values across years / across regions.
Simple, easy to understand and interpret	Indicators should be simple and easy to understand. Complex indicators that take time to understand can be misinterpreted.
Quantifiable / Measurable	The reliability of the indicator is important. We must be able to get an accurate measure of the indicator.
Time-bound	The measurement should be over a period of time
Affordable and cost effective	The expenditure on measuring the indicator needs to be cost effective (Centre of Excellence for Evaluation, 2010).

Source: Summary of guidelines of how to choose a good indicator (compiled from (Collange et al., 2006), (Collange et al., 2006; Moynihan & Beazley, 2016) (USAID, 2010))

Besides considering the quality of indicators, governments should also be careful with the quantity of indicators they select. Namely, they should avoid selecting too many indicators, which can be overwhelming both for the producers and users of performance information. In France, when performance budgeting was introduced in 2006, the general budget had 650 programme objectives and 1,300 programme indicators across ministries.¹⁹ By 2017, the number of objectives and indicators fell to less than 400 and 800, respectively, to reduce the information overload for parliamentarians and other decision-makers (Moretti and Kraan, 2018). This was achieved by restricting indicators to those that were relevant, auditable, and useful from a service delivery and cost standpoint. The Budget Directorate and line ministries sought to removed activity and compliance indicators. They also removed indicators that lacked relevance to identified objectives or had static results over time (e.g. consistently meeting a target each year) (Moynihan and Beazley, 2016).

Even as governments should regularly evaluate the quality and quantity of their indicators, they should also be careful with making frequent revisions. If indicators are constantly changed year-to-year, then producers and users of this information could become confused or overwhelmed. Consistency with indicators would ease the task of data collectors and enable policymakers to track progress over time.

Mexico: Results-based budget

Mexico has a relatively sophisticated “Results-based budgeting” system that was first developed in 2008 in an effort to re-orient public administration around spending results. Federal social programmes are required to have a “Matrix of indicators for results,” (MIR) that identifies the programme objectives and performance indicators. Graphically, the MIR is organised in a 4x4 grid:

FIGURE 6: MATRIX OF INDICATORS FOR RESULTS IN MEXICO

	Narrative summary	Indicators	Means of verification	Assumptions
Goal				
Purpose				
Component				
Activity				

Source: CONEVAL (translated by author)

¹⁹ In France, the budget is organized in a three-tiered system of mission, programme, and action. Missions are the major government policies and typically the responsibility of a single ministry. Missions break down into programmes, which then break down further into individual actions. There are about 30 missions and 120 programmes in total. Missions and programmes separately have objectives and indicators to measure progress against them. In 2017, missions had about 100 objectives and indicators, while programmes had 400 objectives and 800

The MIR has four levels of information:

- * Goal: The development or strategic objectives that the programme aims to contribute towards in the medium or long term
- * Purpose: The change expected in the target population as a result of receiving the goods or services produced by the programme
- * Components: The outputs (i.e. goods and services) that will be produced or delivered through the programme to the target population
- * Activities: The primary actions that should be realised to produce or deliver the components.

For each level, the MIR must provide a narrative summary, indicators to measure progress, sources for verification, and assumptions (CONEVAL).

To illustrate this framework, consider the 2021 MIR for the national programme, “Production and distribution of educational books and materials.” The programme’s stated goal is to “contribute to an equitable, inclusive, intercultural, and comprehensive education for boys, girls, and adolescents” (CONEVAL 2021). The indicators for this goal are the dropout rates in primary and secondary school, which are collected by the General Directorate of Educational Planning, Programming, and Statistics (i.e. means of verification). The assumptions of the goal are that students have the necessary instructors, materials and infrastructure to learn.

The programme purpose is to provide opportune access to free textbooks and educational materials. The components, or outputs, are provision of physical and digital texts, which are measured by the percentage of texts produced. Finally, these components have several corresponding activities, or inputs, including developing or updating textbooks, developing or updating audio-visual material, and re-certifying the quality standards.

indicators. See Moretti and Kran, 2018 for more information.

TABLE 12: CONDENSED MIR FOR “PRODUCTION AND DISTRIBUTION OF EDUCATIONAL BOOKS AND MATERIALS” PROGRAMME IN MEXICO

	Narrative summary	Indicators	Means of verification	Assumptions
Goal	Contribute to an equitable, inclusive, intercultural, and comprehensive education for boys, girls, and adolescents	Percentage of school dropout rates in primary and secondary education	General Directorate of Educational Planning, Programming, and Statistics	Students have the necessary instructors, materials, and infrastructure to learn
Purpose	Students and teachers have access to free textbooks and educational materials	Percent of free textbooks and materials delivered on time	National Commission of Free Textbooks, Directorate General of Educational Materials	Teachers and students use textbooks as part of their learning and local authorities deliver materials on time.
Components	(1) Sufficient free textbooks and materials produced and (2) digitally archived textbooks available for production	(1) Percent of books and materials produced and (2) percent of materials in digital archives	Integral Management System for Production and Distribution and Directorate General of Educational Materials	The Directorate General of Curricular Development emits on time its plans; there is sufficient budget to deliver materials; and local authorities deliver materials on time.
Activities	(1) Release of the volume of books for printing, (2) Recertification of quality standards, (3) Production of free text books and educational materials, (4) Development of informational packets, audiovisual packets	Percent of textbooks released and produced, maintenance of certification, percent of packets developed	National Commission of Free Textbooks, Directorate General of Educational Materials	Responsible agencies coordinate on developing materials on time, sufficient budget is available to deliver materials.

Note: The table represents a condensed and translated version of the Matrix of indicators for results (MIR) of the national programme, “B003: Production and distribution of educational books and materials.” To see the full MIR for this or other programmes, consult CONEVAL.

Source: CONEVAL

While Mexico's Results-based budget is admirably comprehensive and detailed, it could incorporate certain adjustments. For instance, the linkage between the purpose and higher-level goal could be further explicated. In the textbook example, it is possible to intuit that providing free textbooks will bring about a better quality of education for youth, but it would be valuable to know more about the extent to which it contributes given many factors can affect education quality. Mexico could also consider stating the underlying need that a programme aims to address, even as this is partially implicit in the goal or purpose.

Mexico's results-based budget system is primarily coordinated by the National Council of Evaluation of Social Development Policy (CONEVAL). CONEVAL is the Government of Mexico's central monitoring and evaluation authority. It generates objective information on the status of social policy and measurement of poverty, with the aim to enhance government decision-making. CONEVAL has two primary functions. One is to define and coordinate the evaluation of national social development policy and the programmes and activities of government departments. The second is to establish guidelines and criteria for the definition, identification and measurement of poverty in a transparency, objective, and rigorous manner (CONEVAL).

Beyond the general MIR framework, CONEVAL conducts in-depth analyses of specific themes, issues, and programmes; and publishes its findings in a range of regular or special reports. For instance, CONEVAL has a biannual Report on the Evaluation of Social Development Policy that examines how federal programmes contribute to overall social welfare along a variety of themes. It also published in recent years special analyses on areas like improving elderly care, education for indigenous communities, and child care (CONEVAL).

Implementation Phase:

This is the phase where the programme is implemented on the ground. The best practices in this section are related to data collection and management and distribution of roles and responsibilities among different stakeholders.

Best practice 4: Identifying data sources

Once the indicators are in place, the next step is to identify the different data sources and manage the data flow right from the point of collection to the point of analysis. An efficient best practice here would be to develop an information repository that lists various “reliable” data sources (both primary and secondary) from which governments can get information on each indicator. Some examples of data repositories and data flow management plans are discussed below.

Morocco’s Information Master Plan (information inventory)

The Kingdom of Morocco’s Ministry of Health developed and used a “Health information master plan” to establish a repository of information from diverse sources (Collange et al., 2006). Data collected at the regional and national levels are transmitted to a central hub at Rabat (the capital city of Morocco) where the information is stored and tracked. This is an example of a centralised database which has all of the information collected at sub-national levels.

Such a repository will help departments map indicators to different data sources. In their guidelines document, the Moroccan government lays down the different phases in developing a master plan and the very first phase is to establish an inventory of information including the data source, type, unit of measurement etc.

This best practice is about making sure that the evaluation authority or the planning department is aware of the various existing data sources so that they can map indicators accordingly. This is exactly what the information inventory in the example given above does.

Ohio Longitudinal Data Archive (University partnership model) in the U.S.

The Ohio Longitudinal Data Archive (OLDA) is a joint initiative between the Ohio State Government and the Ohio State University in the U.S. This repository has data from five departments: Education, Higher Education, Housing, Job and Family Services and Opportunities for Ohioans with Disabilities. This data can be accessed by both government agencies and external researchers. The government and the university have signed an MoU on publishing and using the data in a way that is beneficial to both the research community as well as the government to drive evidence-based policy making. More information on how this was set up and how the data has been used can be found in CLEAR/J-PAL South Asia’s Administrative data Handbook here (Hawley, 2020).

The NB-IRDT database in Canada (Academia partnership model)

The New Brunswick Institute for Research, Data and Training is a data centre established jointly by the Government of New Brunswick (GNB) and academic members of the University of New Brunswick (UNB) and other academicians. Some of the best practices followed while setting up and using this data centre include:

- * Hiring personnel: Skilled analysts are appointed to ensure that the data standards are not compromised upon.

- * Maintaining systematic records: The transfer of data and addition to new datasets in the platform are systematically recorded and audited from time to time.
- * Developing and using codebooks: They maintain codebooks which provides an overview of the dataset, list of variables with definitions and the format in which it is stored.

More information on the centre, how it was set up and other details on data use cases can be found in CLEAR/J-PAL South Asia's Administrative data Handbook here (Maillet & McDonald, 2020).

Suggestions to implement the best practice:

- * There is a need to have a good data flow management system in place to collect, store and use the data from across multiple sources. This capacity can be developed in house or departments can seek external support similar to what was done in Ohio and Brunswick.
- * This system can be audited either by the Planning department in the state or even the apex M&E authority in the country. Data Governance Quality Index (DGQI) tool (NITI Aayog DMEO, 2022) developed by DMEO could be referred to assess themselves at various levels of data maturity on the basis of a standardised framework. This will help standardising and ensuring data quality.
- * Use of performance information – ensuring data maturity by maximising the use of data for concurrent monitoring.
- * Complementing with evaluations where performance data is weak.
- * Building administrative capacity to design performance systems and analyse results.

Best practice 5: Independent audit of programme assumptions

At the conceptualisation and design phase, one of the best practices highlighted was that, as a part of the results framework, departments need to mention what the assumptions are for the desired change to happen. This best practice is about verifying whether these assumptions hold true.

Similar to what is done in many OECD countries, an independent authority needs to audit the programme assumptions defined at the conceptualisation phase and check whether they hold good. While this is not a practice that is systematically adopted by many countries across the world, it is a very useful best practice that will help the departments understand whether the assumptions that they have made are appropriate and relevant. For example, Bolivia does an independent review of its programmatic assumptions and this is a legal requirement in the country. Chile has an independent panel to review the assumptions but, unlike Bolivia, this is not a legal requirement in Chile. In Mexico and Venezuela, the review itself is done by the legislative body but it is not a legal requirement (Curristine & Bas, 2006).

Suggestions to implement the best practice:

- * The programmatic assumptions can be reviewed either by the Planning department in the state or an M&E authority like DMEO or the Karnataka Monitoring and Evaluation Authority (KMEA).
- * Frequency of the audit: this review can happen either on a half-yearly or an annual basis since the review will also require some data on programme implementation.

Best practice 6: Clearly defined roles and responsibilities on preparing the outcome budgets and accountability for outputs and outcomes

While thinking about roles and responsibilities, states need to consider two aspects.

- * It is important to identify who is responsible for preparing the outcome budget, reviewing it and approving it.
- * It is also necessary to identify who is responsible for managing and tracking performance on outputs and outcomes.

Output-outcome division of roles and responsibilities in New Zealand:

In New Zealand, Chief executives (department level government staff members) are responsible for performance on output level indicators and the ministers (who make major policy decisions) are accountable for the outcomes. Such a division provides clarity on the role of each person within the broader governance structure (Budgetary Governance in Practice: New Zealand, 2019).

Performance management model in Denmark

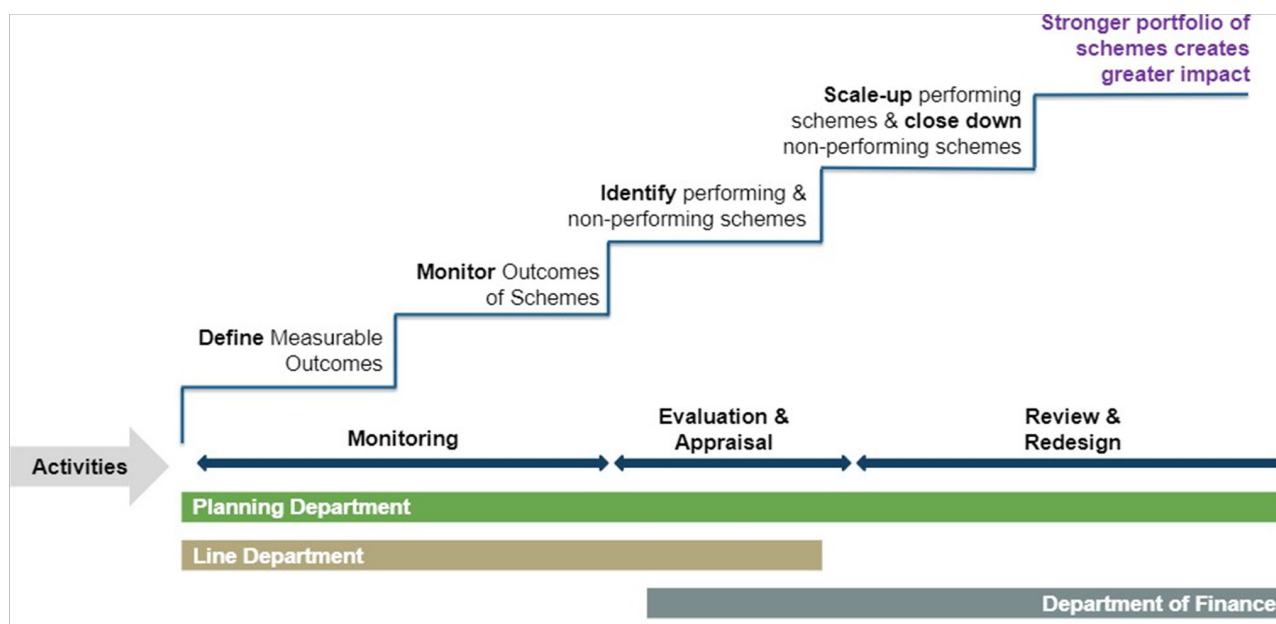
This model was introduced on a pilot basis in the 1980s but is a fully established model within Denmark's public sector now. Under this, the ministry and the agency (department) sign a performance contract. The department head is held responsible for performance on outputs or outcomes. The achievement of results is linked to the salary of the director general of an agency (A. Shah et al., 2011). In this case, the entire responsibility for performance is delegated to the department, unlike the division of responsibilities in New Zealand.

Division of roles and responsibilities under the OOMF

As shown in the figure below, the key activities in the process are mapped across various stakeholders. The Planning department is involved across all stages of the OOMF cycle which includes steering the activities internally among different departments and driving activities related to monitoring, evaluation and appraisal to review and design. To drive this OOMF exercise, at the State government level there needs to be nodal department like the planning which drives the internal process and strengthens partnership among the other departments that leads the collaboration among scheme division officials from the line departments and financial advisers in the Department of Finance.

The line departments are focus on continuous monitoring of the schemes being implemented and using the evidence generated to evaluate or identify performing vs non-performing schemes. The Department of Finance is more involved in the activities pertaining to the budget allocation and ensuring that financial allocations are done in an efficient manner by reviewing the performance of the existing schemes and re-designing them by taking decisions to either scale-up or close down schemes based on their performance.

FIGURE 7: STAKEHOLDER ROLES AND RESPONSIBILITIES



Source: DMEO, NITI Aayog

Division of roles and responsibilities (R&Rs) in Indian states

In order to understand how R&Rs are distributed among departments in preparing and reviewing the outcome budget, we conducted a systematic data collection with a few states in India who are currently undertaking outcome budgets. Given below is a snapshot of how roles and responsibilities in preparing and approving outcome-based budgets are divided in some of the states:

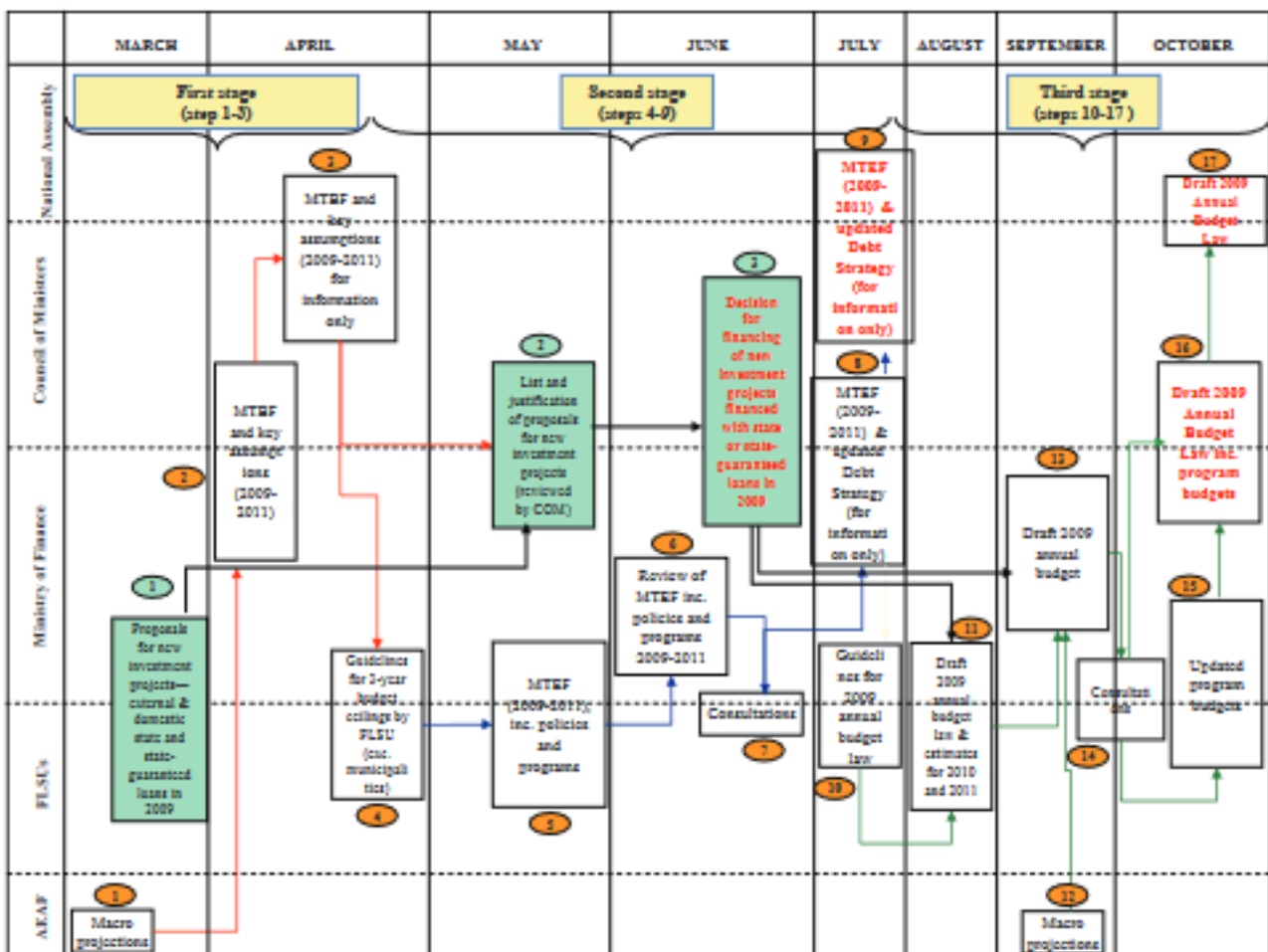
- * **Arunachal Pradesh:** The Department of Finance, Planning & Investment is responsible for compiling the outcome budget based on inputs provided by departments.
- * **Tamil Nadu:** There are three players involved in the budgeting process: the State Planning Commission (SPC), The Department of Economics and Applied Research (DEAR) and the Department of Economics and Statistics (DES). The SPC is responsible for the planning and budgeting process. DES does the data collection at the implementation stage and DEAR is responsible for evaluating the programmes.
- * **Odisha:** The Finance Department in Odisha issues guidelines to support the line departments in formulating outcome budgets. The departments are responsible for preparing their outcome budgets with some hand holding from the Programme Performance Outcome Monitoring Unit (PPOMU) under the Finance department. PPOMU follows up with other departments to make sure that they compile the outcome budget on time and the unit also provides support on defining objectives, outputs and outcomes.
- * **Haryana:** The Swarna Jayanti Haryana Institute for Fiscal Management (which is the Planning and Finance Department of the state) is responsible for preparing the outcome budget. The department does this in consultation with all the other line departments.

- * **Jharkhand:** The departments are responsible for preparing outcome budgets, tracking and inputting output and outcome level indicators. The Planning department supports the other departments in this process²⁰.

Suggestions to implement the best practice:

- * The nodal department responsible for developing and implementing outcome budgets can lay down guidelines detailing the R&Rs of all the departments involved in the process.
- * They can also organise training or orientation for the departments on the process to clarify their role in developing the outcome budget. One example, (not in the context of outcome budgets) is Bulgaria’s budget procedure (2009) that lays down the timeline and the roles and responsibilities of various stakeholders in implementing their medium-term budgeting framework (Kasek & Webber, 2009).

FIGURE 8: BULGARIA’S BUDGET PROPOSAL (2009)



Source: Government of Bulgaria

20 This information is from the Key Informant Interview (KII) conducted by the DMEO and CLEAR South Asia team with the Planning Department, Government of Jharkhand.

Assessment for decision-making phase:

This section focuses on some of the best practices that the government can follow to facilitate decision making.

Best practice 7: Effective review systems to track and use the information on indicators

One of the main purposes of creating an outcome-based budget is to eventually use evidence on the programme's performance. To this end, states need to have a system in place to track and review performance on outcome level indicators to check whether the programme is achieving the desired results. Countries across the world adopt different ways to track information on outcomes and one example is that of Australia which has a dedicated performance dashboard.

Outcome focused performance dashboard in Australia

Australia maintains a performance dashboard that tracks performance along pre-defined indicators (for priority sectors) at both national and provincial levels. This dashboard gets data from multiple primary and secondary sources including administrative data. The dashboard also displays progress over time since 2008 (Productivity Commission, 2021; V. S. Smith, 2013).

DMEO's outcomes dashboard

DMEO has developed an interactive dashboard where ministries upload information on progress made along key performance indicators defined in the output outcome monitoring framework. DMEO's web-based OOMF Dashboard helps to track outputs and outcomes across 67 Ministries/ Departments for all Central Sector and Centrally Sponsored Schemes by users from Ministries/ Departments and the Department of Expenditure, Ministry of Finance This enables easy monitoring of outputs and outcomes on a real time basis. The dashboard also helps in tracking the adherence regarding compliance for dashboard usage and indicator-wise progress reports that are reviewed on a quarterly and annual basis.(Development Monitoring and Evaluation Office, 2022a).

Review systems

While the examples above give an overview of methods that can be used to track and store information on outcome level indicators, there needs to be a way to review and collate this information from time to time. The table given below summarises different systems with examples of countries / states that use them.

TABLE 13: SUMMARIES OF DIFFERENT SYSTEMS WITH COUNTRY/STATE EXAMPLES

Review systems	Examples
Performance review meetings	Since 2020, DMEO has been holding annual review meetings of the Output Outcome Monitoring Framework (OOMF) of Ministries/ Departments under chair of Hon'ble Vice Chairman and Members, NITI Aayog along with the Secretary of Ministry/ Department, DG DMEO and concerned NITI Senior Advisers/ Advisers. These meetings primarily review progress of central sector/ centrally sponsored schemes; progress on actionable points pertaining to previous year's OOMF Review Meeting.
Performance/outcome report	In Mauritius, ministries and departments need to report on their performance on an annual basis. In this report, the Ministry / Department gives an overview of the objectives, current achievements and challenges, financial performance, and also the way forward. (Republic of Mauritius, 2015) Delhi government's outcome budget status reports: The Government of Delhi prepares a document called "Status report of outcome budget". This is a progress report that tracks the outcomes laid down in the outcome budget.
Report Cards/Scorecards (e.g.: reports on SDGs, SDG Index)	United Nations country score cards (United Nations Environment Programme, 2022): The country scorecard maintained by UN gives an overview on how each country fares along the 17 SDGs. This is a good way to understand and track progress along indicators and to get a snapshot of the performance on specific outcome level indicators.

Best practice 8: Auditing the performance information

Performance information collected on outcome level indicators play a vital role in driving policy decisions. To ensure that the data quality is not compromised, some countries audit the performance information (on both outputs and outcomes). Given below are a few examples:

Australian National Audit Office:

The Australian National Audit Office (ANAO) is the supreme audit institution of Australia. The purpose of the ANAO is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby drive improvements in public sector performance. The ANAO's primary responsibility is to audit the financial statements of the government. Audits to the financial statements are designed to give assurance to the Parliament that an entity's (such as, line departments and companies) financial statements fairly represent its financial operations and financial position at year end.

However, by request of the Department of Finance, it recently initiated a phased programme to audit the performance statements of line departments and other central entities²¹. Performance audits look at an entity's operations to assess economy, efficiency, effectiveness, ethics and legislative and policy compliance. This initiative seeks to better equip Parliament to assess the results of government spending. The ANAO first conducted performance statement audits on three entities in 2020-21 and aims to gradually increase the number of audits to 24 by 2025-26 (ANAO, 2023a).

21 Legally, performance statement audits are not mandatory as they are for financial statements, but the Ministry of Finance or respective line ministry may request it. The Joint Committee of Public Accounts and Audit has recommended amending the Public Governance Performance and Accountability Act 2013 (PGPA Act), which created the contemporary monitoring and evaluation framework, to require the ANAO to audit all performance statements.

A performance statement reports the non-financial performance of an entity, according to the goals and metrics listed in the entity's corporate plan (i.e. multi-year strategy document) and Portfolio Budget Statement (PBS) (i.e. annual budget proposal). The performance statement audit, in turn, examines (1) the structure and alignment of performance information (i.e. across corporate plan, PBS, and performance statement), (2) whether measures and targets comply with legal requirements, and (3) the accuracy and completeness of results and other information presented in the performance statements (ANAO, 2023a). The ANAO aims to comprehensively review the appropriateness and effectiveness of an entity's performance statement and is continuously refining its process.

The development of performance measures and data sources for performance statements are guided by the Rule amendment of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) in March 2020 and the Resource Management Guide (RMG) 131 published by the Department of Finance in May 2020. The PGPA Act and RMG 131 require that performance measures be reliable, unbiased, verifiable, and observable over time. They must also include quantitative and qualitative sources and measure outputs in terms of efficiency and effectiveness (ANAO, 2020).

Further, under the PGPA Act, Audit committees have a role to play in providing assurance to the Accountable Authority that performance reporting is reliable, relevant and complete, taking into account the objectives and purpose of the entity and the programmes it is delivering. To fulfil this function, an audit committee must review the entity's performance information, systems and framework and the completeness and appropriateness of performance reporting (ANAO, 2020). Therefore, as per the ANAO Auditing Standards, Audit committees must evaluate whether entity work papers sufficiently demonstrate how data sources, evidence and the methodology were applied to calculate the reported results and whether there are known limitations or bias with the data or methodology used to calculate a result that should be disclosed in the performance statements (ANAO, 2023b).

However, the ANAO is only one component of the overall M&E ecosystem in Australia. The M&E ecosystem also comprises of the performance framework and the evaluation policy. Line departments and other central entities under the PGPA Act have legal obligations to publish corporate planning and reporting documents under the performance framework. Performance planning and reporting must draw clear links between the department's key activities and the results achieved and provides meaningful performance information with a clear line of sight between planned and actual performance. This allows a reader (including the Parliament) to assess the extent to which a department's intended results were achieved and the factors that affected performance. Each department must prepare, one, Portfolio Budget Statements (typically in May), two, Corporate Plan (in August), and three, Annual Performance Statement (October the following year which is audited by the ANAO).

Alongside, line departments and other central entities are also subject to the Commonwealth Evaluation Policy (with effect from 1 December 2021) under the Department of Finance which aims to embed a culture of evaluation and learning from experience to underpin evidence-based policy and delivery throughout government²². The Policy has been developed to support departments with improving their evaluation practices and capability, including the quality of performance reporting. The Policy is supported by an Evaluation Toolkit, which includes practical guidance materials and supporting resources to help departments appropriately monitor and evaluate government programmes and activities over the policy cycle. Evaluations are overseen at the level of a department or other central entity and may be carried out by the program manager, an internal evaluation unit (if available), an external provider, or a mix of these (Australian Department of Finance).

22 Since the 1980s, Australia has had a robust M&E system, centered on a formal strategy for evaluations. The main components of Australia's whole-of-government M&E system were, one, formal evaluation planning through formal portfolio evaluation plans developed by line ministries, two, requirement for every program to be evaluated at least once every three to five years, and three, reviews of each ministry's program objectives and performance reporting (Mackay, 2007).

Similar to Australia, some of the other countries such as Canada, the Netherlands, the United States and Sweden (Sterck & Scheers, 2006) audit the performance reports.

Internal Audit Harmonisation Committee, France

In 2002, France created the Interministerial Programme Audit Committee, which was later subsumed by the Internal Audit Harmonisation Committee (CHAIE) (Moynihan & Beazley, 2016). Among its responsibilities, the CHAIE audits the reliability of the performance results reported and also identifies the reasons for not achieving the targets. The committee has a representative from each ministry and conducts its audits in a collaborative manner with ministries to improve their practices (CHAIE, 2020).

CAG in India:

The Comptroller and Auditor General of India²³ conducted an audit on the Higher education outcomes in Punjab. This report gives an overview of the various components of higher education and output level indicators (“Chapter-II Access, Equity and Affordability in Higher Education,” 2022). A similar structure can be followed to check the quality information on outcome level indicators defined in the outcome budget.

Suggestions to implement the best practice:

The document issued by the Kingdom of Morocco (Collange et al., 2006) lists certain guidelines to implement a performance audit and what this should entail. This can be a good starting point to set up a system to audit the outcome budget. Some of the important questions that the audit can focus on include:

- * Are the procedures for collecting and processing the programme data clearly defined?
- * Are data collection systems regularly monitored?
- * Are staff members trained to produce good quality data?

Best practice 9: Using information on outputs and outcomes to make policy decisions

Information collected on outputs and outcomes can be used to inform decisions on resource allocation and budget negotiations. The performance information will allow departments to estimate the extent of impact that the programme has and this will also allow them to understand the cost effectiveness of the programme.

Best practice 9.1: Cost effectiveness analysis

A cost effectiveness analysis offers insights into which programmes are likely to provide the greatest value for money in given situations. “Cost-effectiveness analysis (CEA) summarises complex programs in terms of a simple ratio of costs to impacts and allows us to use this common measure to compare different programmes evaluated in different countries in different years.(Bhula et al., 2020)”

23 The Comptroller and Auditor General (hereinafter referred to as CAG) of India is the Constitutional Authority in India, established under Article 148 of the Constitution of India. CAG is described as one of ensuring financial propriety as well as value for money since he is the guardian of the public purse and controls the entire financial system of the country at both the levels– the Centre and the state.(Tripathi, 2022)

A cost effectiveness ratio is the ratio between the total impact of the programme on a specific outcome and the total cost of implementing the programme (Jetha, 2017). Evaluating the impact of a programme is a pre-requisite for conducting cost-effectiveness analysis. More information on cost effectiveness analysis and how to do this can be found here (Jetha, 2017). Here are more details on how to conduct a cost effectiveness analysis.

Best practice 9.2: Funding and resource allocation decisions

Information from outcomes can be used to make scheme re-alignment and other strategic decisions. There is limited evidence that countries around the world systematically use information from outcomes to make funding decisions. But there is value in making funding decisions based on performance indicators like linking funding to output level indicators acts as an incentive for government officials to improve their performance. Resource allocation based on performance on outcomes ensures that well performing programmes are prioritised (Oomman et al., 2010).

The Republic of Korea's Performance Management System

One example of a country that explicitly links performance to resource allocation is South Korea. The country's performance management system requires all line ministries to prepare annual performance plans. The plan follows a hierarchical structure, detailing a ministry's mission, strategic goals, performance goals, and project goals. The mission refers to a line ministry's overarching goal; the strategic goals refer to the main policies carried out by offices in pursuit of the mission; the performance goals refer to bureau-level goals; and management tasks are individual fiscal projects carried out by teams. Performance indicators are set for performance goals and management tasks (Ministry of Strategy and Finance, 2014).

Performance evaluations are carried out in a one-and-a-half-year cycle from January to June of the following year under the supervision of the Government Performance Evaluation Committee (GPEC). The GPEC is co-chaired by the Prime Minister and a non-governmental expert and comprised of government and non-governmental experts. In January, the GPEC publishes general guidelines for the annual performance plans. By March, the line ministries submit their performance plans to the GPEC. As part of its guidelines, the GPEC provides a set of measurement indicators that ministries may adopt, but line ministries may customise the indicators to align with their particular goals and strategies. Line ministries develop their plans with the support of self-evaluation committees made up of internal and external experts, like academics.

By March of the following year, line ministries submit their self-assessment of results. The self-assessment examines performance on four broad areas — performance achievement, appropriateness of policy planning, appropriateness of policy implementation, and policy effect — and requires evidence to be provided. Based on the assessment, line ministries then assign each programme a score on a 100-point scale and submit their reports to the GPEC for review and approval (National Assembly Budget Office, 2020)²⁴. Although the GPEC supervises the process, the performance management system is designed to provide line ministries substantial autonomy to suit their unique priorities and programmes.

24 South Korea's first developed a performance management system in 1999, which was inspired by the United States' Government Performance and Results Act of 1993. The system was overhauled in 2004 and has gone through a number of subsequent revisions over time to strengthen the process. A brief history of the country's performance management system may be read here: National Assembly Budget Office, (2020), "Public Finance of the Republic of Korea 2020."

Programmes with a rating of inadequate or poor are expected to be cut by at least 10 percent or, at the extreme, abolished, according to budgetary guidelines (Park and Choi, 2013). Under-performing programmes are subject to greater scrutiny and must demonstrate an action plan to improve the rating. If a budget cut is not feasible due to the nature of the programme, then the ministry ought to implement alternative reforms to incentivise improvement. Research shows that under-performing programmes are often cut in the following fiscal year, although this is not always the case. During 2005 to 2011, 65 percent of programmes with a poor score received a budget cut in the following year, according to one study (Sohn and Bin Bae, 2017). On the other hand, high-performing programmes can be rewarded with budget increases and awards by the Prime Minister's Office. Programme evaluation is linked to personnel evaluation, meaning staff pay or promotions is partly dependent on the performance of their programmes (Korean Institute of Public Administration, 2017).

South Korea's incentive structure makes public officials and institutions highly sensitive to assessments, which carries positive and negative consequences. On the positive side, performance evaluation is a serious component of the budget process with explicit linkages to budgetary decisions, which is rare among countries with performance budgeting systems. The incentive structure compels institutions and personnel to reach targets and improve performance.

However, because performance is determined by pre-set metrics, the system also creates perverse incentives to "game" or undermine the rigor of the review process. For example, agencies tend to set a low threshold for goal achievement and place greater weight on indicators that are easier to achieve to artificially improve their ratings (Korea Institute of Public Administration, 2017). They may also artificially inflate their score to avoid cuts, as one study found evidence of (Sohn and Bin Bae, 2017). In other words, rather than engage in thoughtful review of programme performance, ministries and officials may narrowly focus on achieving targets.

The GPEC and Ministry of Strategy and Finance (MSF) are supposed to provide oversight and prevent these tendencies. The MSF also carries out special "in-depth" evaluations each year on a select number of key programmes (or groups of programmes) to assess their appropriateness, effectiveness, and efficiency. For example, in 2019 six programme groups were evaluated in-depth. The programme groups related to recruitment of unemployed people, community-based childcare, and education grants, among other areas, and covered 82 programmes in total. (National Assembly Budget Office, 2020).

Challenges with linking performance to funding decisions and possible ways forward

The OECD highlights some of the reasons for stakeholders at the ministerial level hesitating to use performance results to make funding decisions. This includes poor quality information and doubts about its reliability, information presented in a manner that is not easily digestible, lack of time to use this information. But some of the best practices identified in this document help overcome these challenges. The challenge and associated best practices have been mapped in the table below (Blazey & Nicol, 2018):

TABLE 14: CHALLENGES AND BEST PRACTICES FOR FUNDING DECISIONS

Challenge	Best practices (way forward)
Doubts on reliability of information on outputs and outcomes	Identify assumptions and audit them, clearly define performance indicators, identify data sources and map them to the indicator, independently audit performance indicators
Lack of time to use the information	Identify short term and long-term goals with set timelines (help in planning)
Information presented in a manner that is not easily digestible	Capacity building, bilingual, well-structured budgets

Suggestions to implement the best practice:

- * Before deciding to use the outcome indicators to make funding decisions, the challenges associated with this need to be meticulously identified and addressed.
- * The resource allocation mechanism can be divided into two types of funds - a fixed fund that would go to the programme and a variable performance-based fund that would depend on output and outcome level indicators. This is similar to the structure recommended by the 14th Finance Commission on disbursing grants to gram Panchayat. They had recommended dividing the funds into two parts - basic grants and performance grants. The latter would depend on certain financial outcome indicators on the revenue side. (Sterck & Scheers, 2006)

Best practice 10: Using information to compare and track progress

The information on output and outcome indicators can be used to make comparisons and track progress at the scheme level. This can be used to track the outcome over time, make comparisons across regions and across schemes. The first type of comparison (across time) is quite common and given below are examples of this:

Sweden’s Outcome Budget report

In Sweden, the ESV (The Swedish National Financial Management Authority) (Outcome of the Central Government Budget, 2022) publishes the outcome of the central government budget both monthly and annually. This report provides an analysis of the outcome budget and also compares performance on these indicators with the previous year. This report also provides details on deviations from the budget and reasons for the same.

Delhi's baseline vs. targeted outcome values

The Delhi government's outcome budget tracks the previous year's values and sets targets for the existing year accordingly. Both these values are presented in their reports which helps to track progress on these outcomes compared to the previous year (J. Shah, 2017).

Suggestions to implement the best practice:

- * The outcome indicators need to be defined in line with nationally and internationally used standards. This is the best practice (Page 23) mentioned in the conceptualisation phase. This will enable easier comparison across regions.
- * A good way to draw comparisons across schemes and how effective they are is to conduct a comparative cost effectiveness analysis (Page 53).
- * The Departments can have systems in place to systematically present and analyse information on outcomes in quarterly, half-yearly or annual reports. For example, in Jharkhand, the departments enter data on outcomes into the system on a quarterly basis²⁵.

Best practice 11: Institutionalising evaluations

“Evaluation is the systematic assessment to determine relevance, efficiency, and effectiveness of specific intervention/project/programme” (Staff, 2021)). They help us understand whether programmes are effective in achieving the desired change and the magnitude of the change that can be attributed to the programme. Having an institutional framework and requirement to conduct evaluations is important to make sure that the outcome level information is used effectively.

Annual evaluation of programmes in Mexico

For instance, Mexico, in the year 1999 announced that all government programmes need to be evaluated annually. Post this reform, the focus shifted from output level indicators (that merely talk about whether the programme has been implemented as planned) to outcome level indicators (Institutionalizing Evaluation, 2021). Later, in 2004, Mexico enacted the General Law of Social Development, which established mechanisms to monitor and evaluate programmes, particularly through the creation of CONEVAL (discussed under Best Practice 3). Finally, in 2006, Mexico enacted the Federal Law on Budget and Fiscal Responsibility, which superseded the previous fiscal law and formally instituted a “results-based” budget model (Ramirez de la Cruz and Puron-Cid). This series of legislation paved the way for a robust institutional framework for monitoring and evaluation in the country.

Ex-ante evaluation plans in Chile

Chile follows a systematic approach to programme evaluation. Their an ex ante approach helps them plan evaluations well in advance. The objective of this is to identify and understand for each programme, the public issue to be addressed, beneficiaries, strategy to be adopted and expected results (Policy Analyst, 2018).

DMEO's evaluation of CSS and CS

In India, DMEO's conducts independent evaluations of central sector schemes and centrally sponsored schemes. This is a way to institutionalise evaluations and encourage results based decision making (DMEO, 2022a).

25 This information is from the Key Informant Interview (KII) conducted by the DMEO and CLEAR South Asia team with the Planning Department, Government of Jharkhand.

Karnataka's Evaluation Policy and Monitoring and Evaluation Authority

At the state level, the Government of Karnataka is one of the only states to have an evaluation policy. The policy, created in 2000, requires for all schemes with an outlay over Rs. 1 crore to be evaluated once every five years by all state departments, corporations, boards, local bodies, and other publicly funded entities. Of a scheme's total outlay, 1 percent must be reserved for evaluation purposes, up to a limit of Rs. 5 lakhs. The decision to continue a scheme or project must be informed by the evaluation as well.

Later, in 2011, the Government of Karnataka created the Karnataka Monitoring and Evaluation Authority to provide guidance to departments on their evaluation efforts. It also undertakes thematic or conceptual evaluations on key issues and provides feedback to the State Government.²⁶

The legal mandate and institutional support to conduct evaluation facilitates the integration of evidence-based decision-making and accountability in the Government, and enables their long-term sustainability. It provides government officials the legal responsibility to implement the reform and holds them accountable for the same (A. Shah et al., 2011).

Suggestions to implement the best practice:

- * Evaluations require expertise and knowledge – so, if states decide to institutionalise evaluations in some way, this needs to be complemented with some training on how to conduct evaluations.
- * States can also decide whether they want an apex M&E body like DMEO to conduct the evaluations or a third-party organisation to do it. If it is a third party, then, there must be strong protocols in place to identify the external evaluator.

Best practice 12: Apex body to monitor and evaluate performance

Ideally, the evaluation process should be impartial and independent, conducted by an apex organisation within the government. The benefits of having such an institution will help ensure that the process is impartial and independent. In addition to this, this institution can also play a supportive role in the design and implementation of the outcome-based budget. The table given below has a list of examples of such units within governments across the world.

TABLE 15: LIST OF EXAMPLES OF M&E UNITS WITHIN GOVERNMENTS ACROSS THE WORLD

Country examples		
Country	M&E unit	Role
Mexico	National Council for the Evaluation of Social Development Policy (CONEVAL)	CONEVAL's main functions are to coordinate the evaluation of National level policies in the country and establish guidelines and criteria for measurement and evaluation. (Quiénes Somos, 2021)
Bhutan	Gross National Happiness Commission	One of the key objectives of the Gross National happiness commission in Bhutan is to institutionalise a National Monitoring and Evaluation System (NMES). (Bhutan - Gross National Happiness Commission, 2022)
India	Development Monitoring and Evaluation Office, NITI Aayog	DMEO conducts independent evaluation studies of both Central Sector (CS) and Centrally Sponsored Schemes (CSS) in addition to fostering institutional and knowledge capacity in India for evaluations through engagement with Union and State Ministries and Departments, establishing multidimensional gateways for dissemination of knowledge and evidence and strengthening the role of evaluation through outcome budgeting.
Karnataka	Karnataka Monitoring and Evaluation Authority	KMEA undertakes evaluation on key issues and thematic areas and provides feedback to the State Government (Karnataka Monitoring and Evaluation Authority, 2022).
Odisha	Programme Performance & Outcome Monitoring Unit (PPOMU)	This unit is an independent entity under the Finance department which undertakes evaluation of State Government programmes. PPOMU undertakes monitoring and evaluation as well as impact assessment of flagship schemes implemented by different departments (Govt of Odisha, 2022).

Suggestions to implement the best practice:

- * The M&E unit can review and provide guidance on how to develop the outcome budget and effectively monitor and evaluate activities.
- * They can also help in identifying risks across departments and enable collaborative goal setting.

All phases:

Best practice 13: Legal mandate for the outcome budget

Regulatory frameworks help create an enabling environment for implementing outcome budgets and some countries have such systems in place. State-level M&E policies can also help in creating an enabling environment for outcome budgets. In this section, we will highlight a few legal frameworks that do this.

Legal mandate for overarching goals in New Zealand

In New Zealand, the legal mandate to enable goal-setting came in much earlier compared to other countries. According to the Fiscal Responsibility Act (1994), the budget policy statement had to “specify the broad strategic priorities by which the government will be guided in preparing the budget for that financial year.” This helped in ensuring that there are overarching goals to guide the budgeting process. Under this act, the government is legally bound to identify broad goals and strategies to guide their budget operations.

Finance and Audit Amendment Act, Mauritius

In Mauritius, the Government announced a series of reforms and implemented the Finance and Audit (Amendment) Act of 2008. According to this act, departments had to submit the expenditure estimates for programmes along with outputs and outcomes on a 3 year-rolling basis (Republic of Mauritius, 2015). This ensures that the department is legally obliged to create an outcome budget for the medium-term.

General Financial Rule 2017 in India

As discussed in the introduction, in India, Rule 54 of the General Financial Rule 2017 provides the legal basis through which an Outcome Budget is prepared by Central Ministries. Per the Rule, “the Department of Expenditure in consultation with NITI Aayog and the concerned Ministries shall prepare an Outcome Budget statement linking outlays against each scheme/project with the outputs/deliverables and medium-term outcomes. (Department of Expenditure, 2017). This is then enforced by the Annual Budget Circular, which requires for line ministries to prepare an Output-Outcome Monitoring Framework as specified by DMEO by the required timeline.

Best practice 14: Well-structured budget

The outcome budget needs to have a well-defined structure so that it is easy to understand and implement. Countries have structured the outcome budget in different ways – based on how much detail they want to include in the budget document. Examples of a few well- structured budgets have been given below.

Four-part programme budget in Mauritius

Mauritius’s budget is divided into four sections (Fölscher, 2012). The content covered in each section is explained below:

Table 16: Mauritius programme budget

Section	Description
Statement on objectives and financial resources	This section highlights the key achievements on outcomes, challenges/ constraints, if any and a summary of financial resources budgeted for the current year.
Performance statement	This is a programme level statement that lists outcomes under each programme, the baseline indicator, targets set (for multiple years) and actual performance. This also includes information on service delivery at the output level. Table 17 is an example of information listed for an education programme.
Financial information	This provides a detailed overview of budget allocations at the programme level.

Source: Fölscher 2012

Table 17: Mauritius - statement on non-financial performance

Figure 3.1.2: Mauritius - statement on non-financial performance targets

PROGRAMME 423: Primary Education						
Outcome: Children leave primary schools literate, numerate and IT familiar, with enriched learning experiences and are ready for secondary schools.						
Outcome Indicator			2011 Actual	2013 Target	2015 Target	2022 Target
Transition rate from primary to general secondary education.			71%	73%	75%	85%
DELIVERY UNITS	SERVICES TO BE PROVIDED	PERFORMANCE				
		Service Standards (Indicators)	2011 Actual	2013 Target	2014 Target	2015 Target
Zone Directorates	S1: Supervision of delivery of primary education.	SS1: System to monitor implementation of recommendations from inspections. Set up (2013), implemented (2014), and assessed (2015).	-	Jun	Jan	Jun
SUB-PROGRAMME 42302: Public Primary Schools						
Public Primary Schools	S1: Provision of primary education	SS1: Certificate of Primary Education examinations pass rate of public schools.	66.9%	68.0%	69.0%	70.0%
SUB-PROGRAMME 42303: Private-Aided Primary Schools						
Private-Aided Primary Schools	S1: Provision of primary education.	SS1: Certificate of Primary Education examinations pass rate of private-aided schools (RCEA).	69.0%	69.5%	70.0%	71.0%
SUB-PROGRAMME 42304: Zone d'Education Prioritaire Schools						
Zone d'Education Prioritaire Unit and schools	S1: Provision of learning and other support to pupils in Zone d'Education Prioritaire (ZEP) schools.	SS1: Certificate of Primary Education examinations pass rate of ZEP Schools.	35.6%	36.4%	36.8%	37.5%
		SS2: Pupils' attendance rate in ZEP schools.	88.3%	90.0%	90.5%	91.5%

Source: Fölscher 2012

Mali's two-part budget

The budget document is broadly divided into two parts. The first half of the budget provides details on the overall objectives and resource allocation at the programme level. But, unlike Mauritius the resource allocation information is not very detailed. One thing to note here is that the number of programmes laid down in the budget is limited to ten per ministry. This helps the country focus on a specific set of objectives. The second half gives an overview of the different activities that the department will undertake at the programme level. This includes objectives, indicators and expected outcomes. The budget structure does not include information on performance information in the previous year.

Examples from state governments of Delhi and Jharkhand

Delhi and Jharkhand are two states within India that have well-structured outcome budgets. Delhi's outcome budget statement in 2020-21 includes information on the objectives, outputs, outcomes and risk factors / remarks. In addition to reporting values of indicators for the current year, the budget also includes baseline values (from the previous year) and targets for the next year. The remarks section includes information on some of the challenges in achieving the goal, status of some of the output level indicators and other efforts in place to achieve the targets. This helps to provide some context on how to interpret the performance across various indicators in the outcome budget. Delhi's outcome budgets are publicly available here.

Jharkhand's outcome budget for each department is divided into two parts. The first part gives an overview of the list of schemes and expenditure for each. The next section has the outcome budget which has information on the objective, output indicators, outcome indicators and even the unit of measurement for these indicators. The budget also links each of the objectives to SDGs (Refer to page 24). Similar to Delhi's outcome budget, Jharkhand's document also includes information on risk factors and other remarks under each objective. Table 17 is an example of Jharkhand's outcome budget:

Table 18: Jharkhand's Outcome Budget 2021-22

Detailed Report										
Department Name : 36 - Drinking Water and Sanitation Department										
Name of the State Scheme/Programme : 0206 - RURAL PIPE WATER SUPPLY SCHEME										
Objectives	Output Indicators	Output	Unit of Measurement	Financial Outlay (in Lakhs) (2021-22)	Social Category	Gender Category	Outcome Indicators	Outcome	Sustainable Development Goals	Risk Factors/ Any Other Remarks
1	2	3	4	5	6	7	8	9	10	11
				₹4,21,25.00						
Name of the Sub Scheme/Programme : 22000018-RURAL PIPE WATER SUPPLY SCHEME / ग्रामीण पाइप जलापूर्ति योजना										
"to provide safe and adequate drinking water to rural every households of the state to provide functional tap connection to schools, Anganwari centres, GP buildings, health centres & community buildings to the stat by 2024" / राज्य के प्रत्येक ग्रामीण घर में स्वच्छ एवं पर्याप्त पेयजलपूर्ति उपलब्ध कराना। वर्ष 2024 तक राज्य के प्रत्येक स्कूल, आंगनवाड़ी केंद्र, ग्राम पंचायत भवन, स्वस्थ केंद्र, सामुदायिक भवनो में कार्यरत गृह संयोजन करना।	Functional household tap connections provided to all the families. / सभी परिवारों को कार्यात्मक घरेलू नल कनेक्शन उपलब्ध कराया जाएगा	Functional Household Tap Connection (FHTC) will be provided in rural households and institutions/ ग्रामीण क्षेत्रों में गृह संयोजन के माध्यम से सभी परिवारों तथा ग्रामीण संस्थानों में नल से जल उपलब्ध होगा	Number	₹4,21,25.00	All	All	Increased employment opportunities for rural communities / ग्रामीण समुदायों के लिए रोजगार के अवसरों में वृद्धि Safe adequate drinking water provided to all house hold in the state. / राज्य में सभी घरों में सुरक्षित पेयजल की उपलब्धता	1.Increased employment opportunities for rural communities/ ग्रामीण समुदायों में रोजगार में अवसर में वृद्धि	Goal 6 : Ensure availability and sustainable management of water and sanitation for all/ सभी के लिये स्वच्छता और पानी के सतत प्रबंधन की उपलब्धता सुनिश्चित करना।	Issues relating to NOC
	Technical capacity building for repair and maintenance will be provided / मरम्मत और रखरखाव के लिए तकनीकी क्षमता निर्माण प्रदान किया जायेगा	People will trained for repair and maintenance works/ मरम्मती एवं रखरखाव कार्य हेतु लोगों को प्रशिक्षित किया जाएगा	Number					Person days of employment generated for construction activities of RWSS/ ग्रामीण पाइप जलापूर्ति योजनाओं से संबंधित गतिविधियों से रोजगार में वृद्धि		

Source: Drinking Water and Sanitation Department 2021

Best practice 15: Detailed and clear documentation on all stages of the outcome budgeting cycle

The presence of detailed and clear documentation on processes, roles and responsibilities, guidance on how to identify indicators etc. is important to ensure that existing practices sustain in the longer term. This will also provide clarity to those who are responsible for creating the outcome budget and will help avoid errors to the maximum extent possible. Examples of such documentation provided by different countries and states have been given below:

Kingdom of Morocco's guidelines document on performance monitoring

This document is in French and has detailed information on how to prepare outcome budgets, how to define indicators, suggested systems and best practices for outcome monitoring. The objective of this document is to support ministries to set up an effective performance monitoring system. The document also provides templates for presenting performance reports (Collange et al., 2006).

New Zealand Ministry of Foreign Affairs and Trade (MFAT)'s guidance document

This document provides guidelines on listing and grouping activities under long medium- and short-term goals and outputs. This provides an overview on how to develop a results framework, measurement structure and evaluation work plan and detailed guidelines on how to implement the same (New Zealand Ministry of Foreign Affairs and Trade (MFAT), 2016).

Australia's budget guide

The government of Australia has developed a budget guide. The purpose of this document is to provide an overview of the budget terminology and processes. This has a detailed explanation on what each of the terms mean and also links to important guidelines and other documentation helpful to develop a budget (Webb, 2001).

DMEO's M&E toolkits

DMEO has created multiple toolkits including M&E guidelines, a toolkit on data governance quality index (NITI Aayog, 2021), guidance on logical frameworks and reviewing the OOMF framework (DMEO, 2020) and a template to monitor maturity assessments (DMEO, 2019) Please visit <https://dmeo.gov.in/> for more details on the toolkits.

Multi-lingual state budgets in India

In the Indian context, an additional factor to consider while documenting processes is the language. If the budget is documented only in English, officials and citizens who are not familiar with the language might find it difficult to comprehend. One best practice is to have bilingual budgets with information and documentation presented in English and the regional language. Jharkhand (Finance Department, 2021), Bihar (Finance Department Govt of Bihar, 2021) and Chhattisgarh (PRS India, 2021) are examples of states that have bilingual budgets. The outcome budget for these states is presented in both Hindi and English. From the interview with Jharkhand, it was found that the translation process is ad-hoc since the state officials are adept in Hindi and English. But, a more sustainable option would be to have systems in place to translate (from English to the regional language) and back-translate (from the regional language to English) to ensure that the quality of the translation is good.

Best practice 16: Use of technology and budget digitisation for efficient operations

Use of technology to design outcome budgets, track and monitor progress on outcomes and automate processes will help reduce physical movement of files and improve efficiency.

Best practice 16.1: Integrating scheme delivery with monitoring

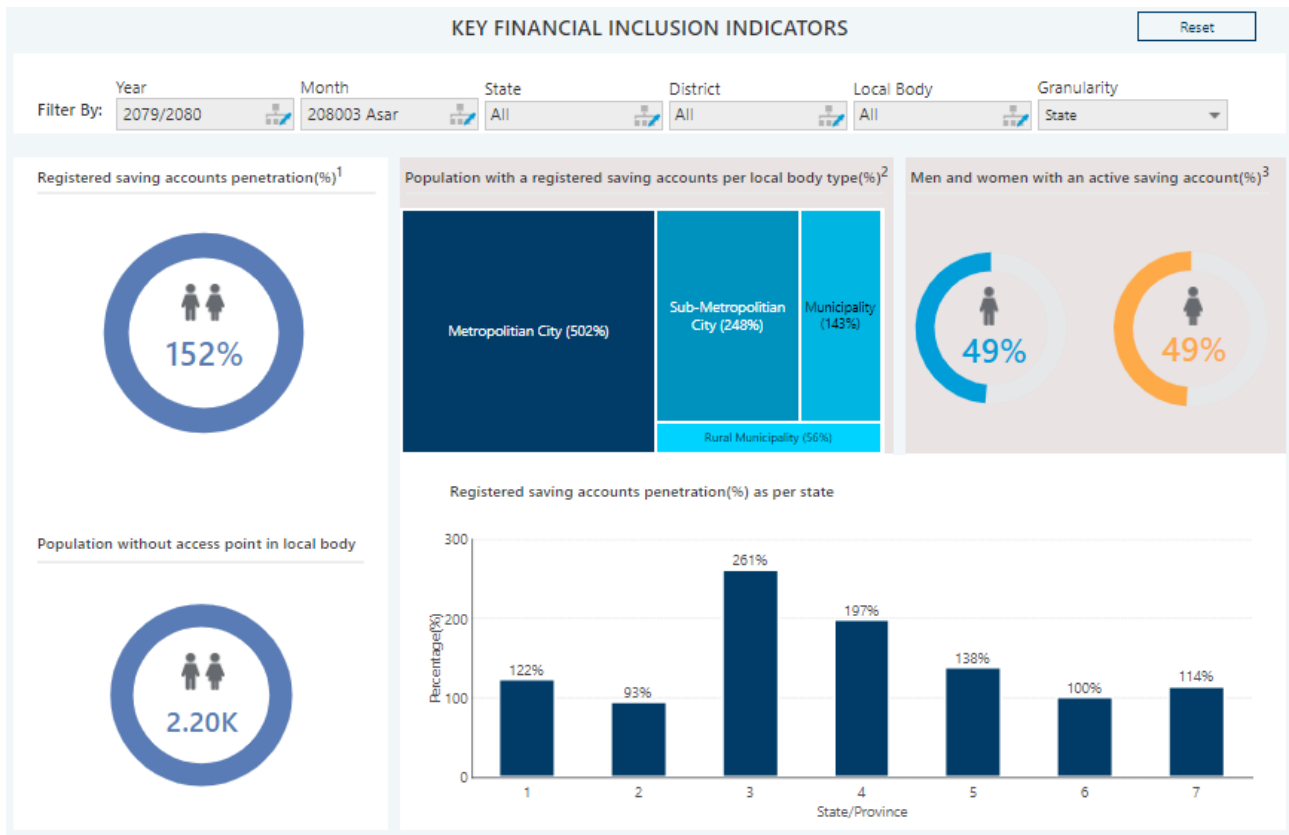
At the implementation phase, there are multiple programme-related activities that happen. Often there is a delay in getting information on the progress on output level indicators since the data needs to be collected and processed for analysis and interpretation. Also, there are certain threats to data collection such as errors in data collection and entry (Zall et al., n.d.) and inconsistencies in the mode of data collection (Rajagopalan & Sabarwal, 2021; L. Smith et al., 2011).

A more efficient approach will be to collect and monitor data on a real time basis. This can help identify gaps at the output level and correct them so that this does not reflect on outcome level indicators. Both the central government and some of the state governments in India have developed live trackers, and dashboards to monitor the data on a real-time basis for specific schemes. Given below are a few examples:

Central Bank of Nepal's dashboard for Financial Inclusion data tracking:

The Central Bank of Nepal (Nepal Rastra Bank) has created a central dashboard for tracking and monitoring progress on financial inclusion. The Financial Inclusion dashboard provides data-based insights on access to financial services such as credit, savings, insurance, and remittances in Cambodia, Lao PDR and Myanmar (CLM). The tool also segments the financial inclusion results by different variables such as gender, age and province (Financial Notices, 2021). Given below is a snapshot of some of the insights generated using the dashboard (EMapping System :: Nepal Rastra Bank, n.d.).

Figure 9: Financial Inclusion Dashboard, Central Bank Nepal Source: Central Bank of Nepal

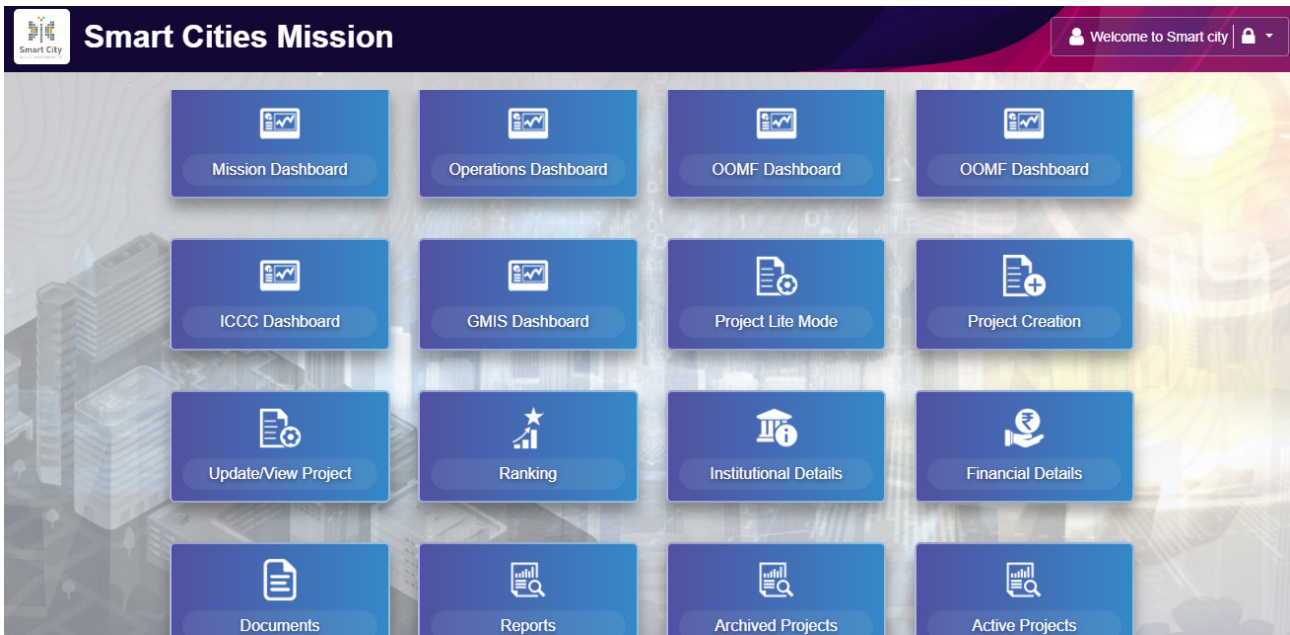


Source: Central Bank of Nepal

Geospatial Management Information system for Smart Cities (GMIS) in India

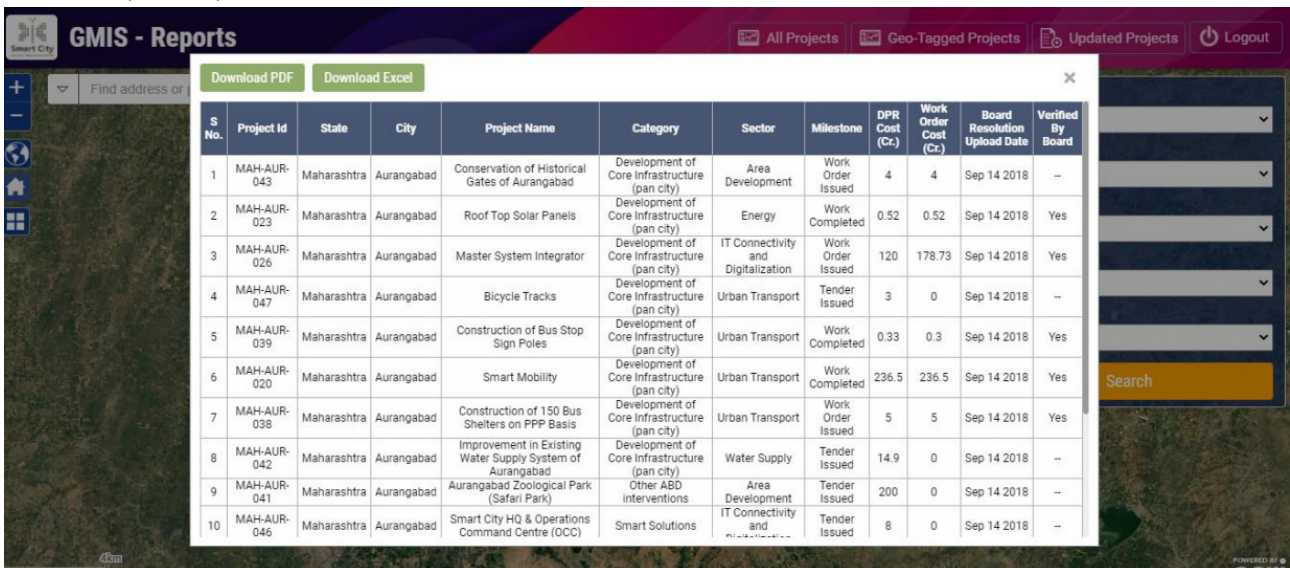
The Government of India’s Smart cities mission relies on data to enhance the quality of decisions made with better project insights. To ensure that the data quality is good and the information is available in a format that will enable faster decision making, it is critical to have an information management system. To this end, the Ministry of Housing and Urban Affairs introduced GMIS in 100 smart cities, for 7000 projects worth USD 30 billion. GMIS introduced the principles of inclusivity, competition, and outcome orientation to the planning approach. The dashboard facilitates real time project management, performance tracking, output-outcome measurement and alignment with SDG goals among others.

FIGURE 10: GEOSPATIAL MANAGEMENT INFORMATION SYSTEM FOR SMART CITIES (GMIS)



Source: ESRI India

FIGURE 11: GEOSPATIAL MANAGEMENT INFORMATION SYSTEM FOR SMART CITIES (GMIS)



S No.	Project Id	State	City	Project Name	Category	Sector	Milestone	DPR Cost (Cr.)	Work Order Cost (Cr.)	Board Resolution Upload Date	Verified By Board
1	MAH-AUR-043	Maharashtra	Aurangabad	Conservation of Historical Gates of Aurangabad	Development of Core Infrastructure (pan city)	Area Development	Work Order Issued	4	4	Sep 14 2018	--
2	MAH-AUR-023	Maharashtra	Aurangabad	Roof Top Solar Panels	Development of Core Infrastructure (pan city)	Energy	Work Completed	0.52	0.52	Sep 14 2018	Yes
3	MAH-AUR-026	Maharashtra	Aurangabad	Master System Integrator	Development of Core Infrastructure (pan city)	IT Connectivity and Digitalization	Work Order Issued	120	178.73	Sep 14 2018	Yes
4	MAH-AUR-047	Maharashtra	Aurangabad	Bicycle Tracks	Development of Core Infrastructure (pan city)	Urban Transport	Tender Issued	3	0	Sep 14 2018	--
5	MAH-AUR-039	Maharashtra	Aurangabad	Construction of Bus Stop Sign Poles	Development of Core Infrastructure (pan city)	Urban Transport	Work Completed	0.33	0.3	Sep 14 2018	Yes
6	MAH-AUR-020	Maharashtra	Aurangabad	Smart Mobility	Development of Core Infrastructure (pan city)	Urban Transport	Work Completed	236.5	236.5	Sep 14 2018	Yes
7	MAH-AUR-038	Maharashtra	Aurangabad	Construction of 150 Bus Shelters on PPP Basis	Development of Core Infrastructure (pan city)	Urban Transport	Work Order Issued	5	5	Sep 14 2018	Yes
8	MAH-AUR-042	Maharashtra	Aurangabad	Improvement in Existing Water Supply System of Aurangabad	Development of Core Infrastructure (pan city)	Water Supply	Tender Issued	14.9	0	Sep 14 2018	--
9	MAH-AUR-041	Maharashtra	Aurangabad	Aurangabad Zoological Park (Safari Park)	Other ABD interventions	Area Development	Tender Issued	200	0	Sep 14 2018	--
10	MAH-AUR-046	Maharashtra	Aurangabad	Smart City HQ & Operations Command Centre (OCC)	Smart Solutions	IT Connectivity and	Tender Issued	8	0	Sep 14 2018	--

Source: ESRI India

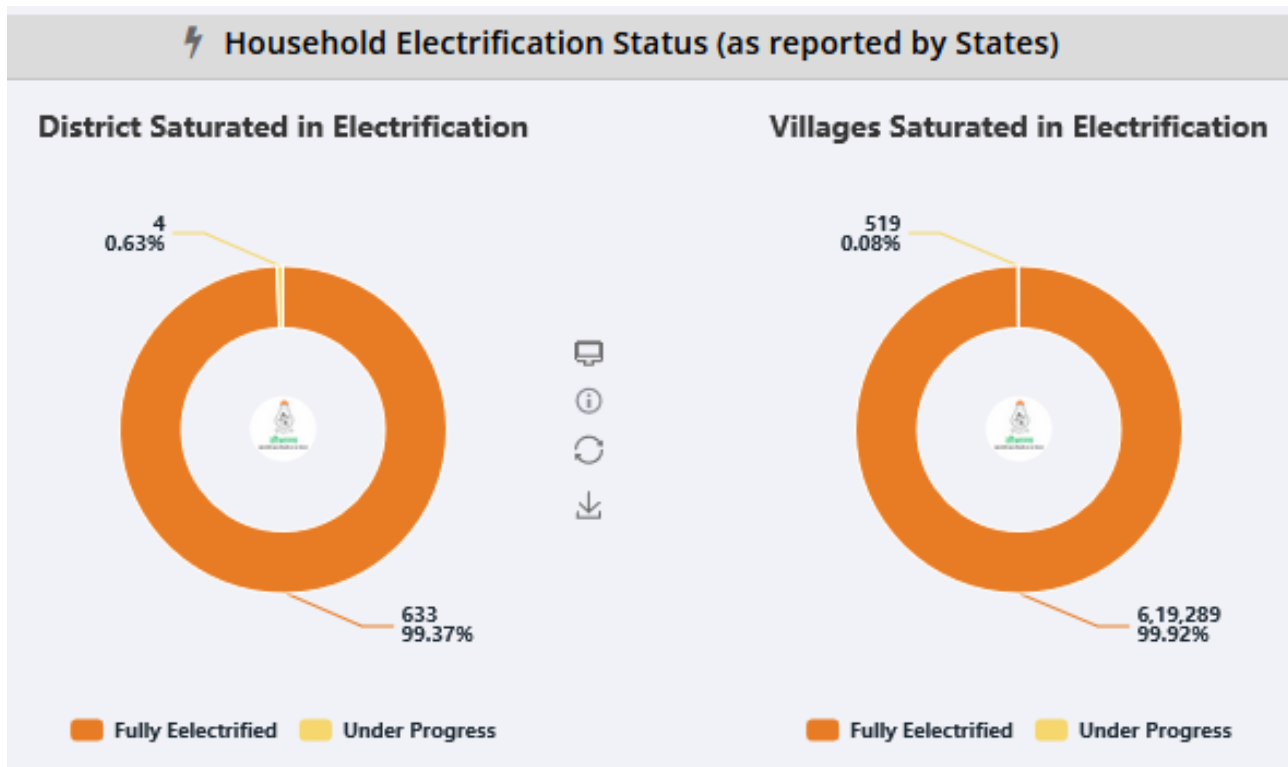
Swachh Bharat Mission’s data tracking system

The Swachh Bharat Mission maintains a national information monitoring system to track cases of open defecation. This MIS has household level data and also measures access to sanitation facilities at the Gram Panchayat level. The information is shared on the dashboard by state governments and aggregated at a national level. Some of the information is verified through their mobile map which enables the user to submit geo-tagged images (with location data), track construction of toilets, and register grievances and feedback. Nearly 6 million photographs of toilets constructed have been uploaded using the Swachh Bharat mobile application. This system integrates community participation and social audits to gather data on some of the most important outcome level indicators (Swachh Bharat (Clean India) Mission: Management Information System (MIS) and Mobile App, 2022).

Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) Portal

The Pradhan Mantri Sahaj Bijli Har Ghar Yojana – ‘Saubhagya’ was launched in 2017, with the goal of providing free electricity connections to all households (both APL and poor families) in rural areas and economically weaker households in urban areas (Press Information Bureau, 2017) . The Saubhagya web portal publicly disseminates information on village wise household electrification status. The data is uploaded by state governments/distribution companies (DISCOMs) and onto the portal, which can then be aggregated. Given below is a snapshot of graphs used to get insights on some of the key output and outcome level indicators (Saubhagya Dashboard, 2022).

FIGURE 12: SNAPSHOTS FROM THE SAUBHAGYA DASHBOARD

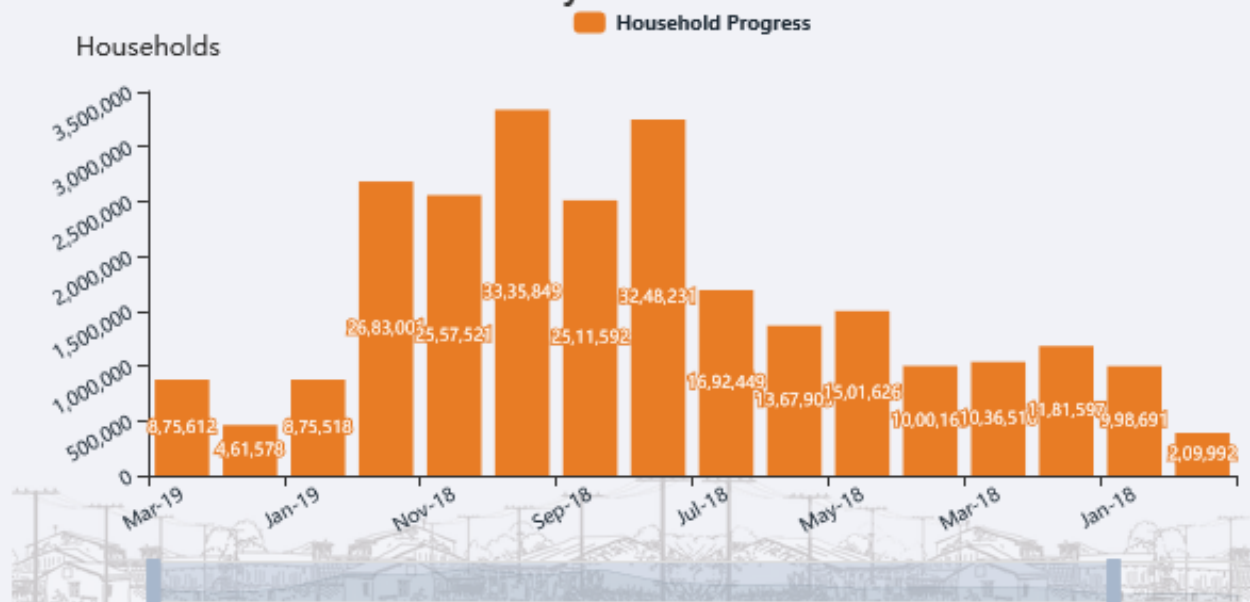


⚡ Household Electrification Progress (as reported by States)

Monthly

Weekly

Monthly Household Electrification



Source: Ministry of Power

Best practice 16.2: Budget digitisation

Some state and central governments have digitised the entire process to reduce errors and ensure that the process takes lesser time.

Mauritius's e-Budget

Mauritius also uses an e-budget system. At present, around 8 ministries and departments are connected to the system. This system was implemented in two phases - phase one involved automation of core budgeting functions and phase two was concerned with transition from Programme Based Budgeting to Performance-based budgeting (SIL EBudget Solution Successfully Running at Ministry of Finance (Mauritius), 2016). Some of the key benefits of this included reduced time and effort in preparing the budget, better accuracy in forecasts, easy sharing and analysis of data and complete data security.

dBrain in Korea

As a part of major fiscal reforms implemented in 2007, Korea also introduced a new digital budget information system - the Digital Budget Accounting system (dBrain). dBrain supports all fiscal

activities and transactions of government finance, and monitors the status of fiscal business on a real time basis. (Digital Budget Accounting System , 2022; Kim & Park, 2007)

Government of Odisha's BETA

In Odisha, outcome-based budgeting was introduced in the year 2010-11. For the first 10 years, the budget was prepared manually and this was time consuming with a lot of duplication of efforts. To address this challenge, in 2021, they adopted an electronic budgeting system called the Budget Execution Technique Automation system (BETA). It is an intra government web-based application that helped reduce physical movement of files within departments and improved the efficiency of the process. The major stakeholders involved in this process were: Administrative Departments, the Finance Department and the Programme Performance and Outcome Monitoring Unit (PPOMU). PPOMU was more of a knowledge partner in implementing this change.

Under this system, staff members of the administrative department enter data on the quarterly progress and send it to the Secretary for review and approval. Once this is done, the Finance department generates individual department wise outcome budgets and publishes a consolidated version on the website. They follow an integrated financial system in which both the expenditure and outcomes are tracked and monitored on the same platform.

Government of Jharkhand's COBT

The government of Jharkhand uses a system called “Comprehensive Outlay of Budgetary Transactions (COBT)”. This portal has information on all the budget documents, sanctions and reappropriation of funds and the Economic survey. In addition to this, this dashboard is also used to create outcome budgets. The departments can input scheme level information in the dashboard including the scheme details and progress on output and outcome level indicators. Here is a manual that provides an overview on how to enter scheme level details in the portal (Planning-cum-Finance Department, 2021.). Once the departments add these details. The Planning department approves the sub-schemes and also verifies the key indicators identified. The verification process is also done through the portal (more information on this here).

Best practice 17: Capacity Development:

The transition to an outcome-based budget requires subject specific knowledge and skills in developing results frameworks, identifying indicators, managing and monitoring data collection etc. It is important to identify where there is a knowledge gap and a need to work on honing skill sets of staff responsible for preparing and executing the outcome budget.

France's learning curve

In France, there were a lot of reforms introduced in 2001 in an attempt to move to a performance-based approach to budgeting. The new system was actually implemented only five years later in 2006. The initial years were spent on providing rigorous training to personnel and piloting some of the processes

(Blazey & Nicol, 2018). This indicates that there is a steep learning curve and a considerable amount of time and resource investment required to make the shift to an outcome-based budgeting system.

Capacity building in India

Various state governments are currently working on building their capacities on outcome-based budgeting and related areas. Examples of this include:

- * There was a webinar on outcome-based budgeting organised by the Centre for Public Policy and Good Governance, Government of Uttarakhand in collaboration with the World Bank. The webinar provided training on concepts such as outputs, outcomes, indicators, targets etc. A total of 57 officers from 29 government departments and agencies of Uttarakhand participated in this webinar. There are also a series of in-depth trainings planned (Webinar on Outcome Budgeting, 2022).
- * DMEO organised a training session on the Output-Outcome monitoring framework for the Government of Jammu and Kashmir (admin_dmeo, 2022).
- * The Planning Department in Jharkhand has organised various capacity building sessions for department officials in partnership with organisations like UNICEF. The focus of these trainings was on understanding the difference between outputs and outcomes, how to develop an outcome budget, developing indicators etc.

It has been DMEO's constant endeavor improve the capacity of officials working at different level of governments. In this connection, a series of knowledge-sharing and capacity-building sessions were conducted with State (viz., Tamil Nadu, Uttarakhand, Assam, Uttar Pradesh, Tripura etc.) and Institutions (like LBSNAA, AIGGP, NILERD etc.). In this regard, the details of knowledge-sharing and capacity-building sessions conducted with various State Government and Senior Officials.

In addition to capacity building of department officials on indicator and log frame development and programme implementation, states / M&E units can also create a pool of resources and tutorials for staff to go back to for future reference.

Conclusion

Outcome-based budgeting and related systems is a beneficial practice that reorients public finances around “what spending achieved,” rather than simply “how money was spent.” In recognition of this, many countries around the world have adopted outcome-based budgeting or variations of it, like results-based or performance-based budgets. While outcome-based budgeting is highly popular, its success has been mixed because of it is complex and resource-intensive. Generally, countries are able to design comprehensive frameworks, but struggle with implementing and utilising the information effectively. This is true even among countries with advanced outcome-based systems, like Mexico, Korea, and Australia. For example, bureaucrats may base their performance on simple indicators to inflate their ratings or parliamentarians may be overwhelmed by the information and navigate it poorly.

Outcome-based budgeting should thus be viewed as a long-term, iterative process that requires frequent assessment among multiple stakeholders, including the finance ministry, line ministries, and audit authorities. India fortunately offers many examples from National and sub-national governments which other stakeholders, regardless of their stage of implementation, can learn and adopt. DMEO has developed a Output-Outcome Monitoring Framework and several state governments have created their own outcome-based budgets. These experiences, in conjunction with this compendium, provide a wealth of knowledge to create and refine these systems.

The best practices outlined in this note should not be viewed as prescriptive and instead be referred to as a guide. Governments ought to review the best practices and apply them according to their particular circumstances. For instance, states like Jharkhand or Karnataka that have already developed an outcome budget may consult the first three best practices to assess the quality of their design or focus on practices dealing with implementation and use. On the other hand, states at the beginning of this process would want to give special focus to the conceptualisation and design stage. While circumstances can vary widely, there are certain key challenges that cut across the budget stages and bear emphasis and the way around such barriers and enablers are mentioned below -:

- * **Managing competing stakeholder interests:** Outcome-based budgets require the coordination of myriad institutions with diverse, at times conflicting, perspectives on the process. For example, the Ministry of Finance may have strong incentive for linking performance to funding to motivate compliance, but line ministries may be averse to such punitive measure. Further, because an outcome budget is also typically layered on top of the existing budgetary process, it can be viewed as burdensome by officials responsible for compiling the data. Aligning stakeholder incentives is difficult and demands a thorough consultation process to ensure the system functions well.
- * **Complex, difficult to understand:** Outcome budgets might be challenging for government officials and the public to understand. This threatens the implementation and use of such information. Detailed documentation on the purpose of developing outcome budgets, the process, and the roles and responsibilities of stakeholders is essential for this reason. The leaders of the process, whether it's the Ministry of Finance or Evaluation Authority, ought to also invest in building the capacity of officials to

carry out the outcome budget. On the public front, the government could produce user-friendly materials that simplify the framework and highlight top-level concerns, such as the performance of major schemes. This would also make it easier for the government to govern, receive public inputs and build trust among stakeholders.

- * **Culture of ownership and evidence informed policymaking:** One major hindrance is that officials are usually motivated to comply with the outcome-based system because they are obligated to, not because they see the value in it. In order to implement the outcome budget well, there needs to be a shift in the mindset towards monitoring, evaluation and evidence-based policy making. Evaluation leaders need to enable officials to understand the value of measuring performance effectively. This shift in culture from a “compliance-based model” of administration to an outcome based one needs to happen across multiple levels within the government (Teresa Clauson et al., 2017).
- * **Digitalisation of the outcome-based budget:** Digitisation of outcome budgets and associated processes improves efficiency and quality. However, this can require a significant investment in terms of capacity building, software costs and initial learning costs, especially if the process cannot be integrated into existing platforms. The initial set up cost may thus be very high. One option to facilitate the transition would be for the Central government to subsidise costs or provide a common platform to states.

Complementary to outcome-based budgets, states could focus on developing systems to conduct rigorous evaluations of programmes as well. There is limited documentation on the criteria for evaluating programmes and systems responsible for conducting and checking the quality of these evaluations. This is vital because the outcome budget will help track changes at the outcome level - but evaluations will help understand the reason for these changes and the true impact of the programmes. They will also enable further analyses on cost effectiveness and comparative analysis across schemes.

Overall, the transition to performance based or outcome-based budgeting is a process that requires time, commitment and expertise. It also requires strong political will and an all- stakeholder understanding of leveraging data and evidence for greater efficiency. The success of the budget depends on effective planning and coordination within government.

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The Development Monitoring & Evaluation Office (DMEO) was constituted in September 2015 by merging the erstwhile Program Evaluation Office (PEO) and the Independent Evaluation Office (IEO). It is an attached office under NITI Aayog, aimed at fulfilling the organization's monitoring and evaluation (M&E) mandate and building the M&E ecosystem in India. Visit us at www.dmeo.gov.in

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