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AFRICA FOR RESULTS

Putting
results first
in **Africa**

TRAINING KIT

MODULE 3

**Introduction to
Results-Based Budgeting**



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Summary

- Clarification of key RBB concepts
- RBB Context and Rationale
- Budgetary processes focused on development results
- Conclusion

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RBB and RBM: primarily a management concept!!!

- Focus on achieving an objective and getting a result.
- Choose a strategy (**the best way**) for achieving the set objective and getting the anticipated result.
- Apply (**use**) human, material and financial means (**resources**) towards achieving the set objective and getting the expected result.
- Measure the achievement of the set objective and the attainment of the expected result by putting in place a **monitoring and evaluation system**.
- Decide on **corrective measures** and **communicate** on performance outcomes ...



RBB and RBM: process and capacity!!!

As a management approach focused on performance, **RBM** ensures the use of **resources** for implementing **activities (what is done)** geared at achieving a set **objective (what is desired)** through the attainment of **expected results (changes)** that are continuously monitoring and systemically evaluated (**M&E system and management information**).



RBB: an operational concept!!!

- **What does RBB target?**
 - Rational and effective spending
 - Based on a better definition of priorities
- **How does RBB achieve this?**
 - The establishment of a link between finance and results
 - Continuous monitoring of results and spending
- **What changes does RBB introduce?**
 - Increased flexibility in operations: notably in the use of financial resources
 - Implementation of an appropriate RBM procedure at the public administration level, at all levels and in all sectors.



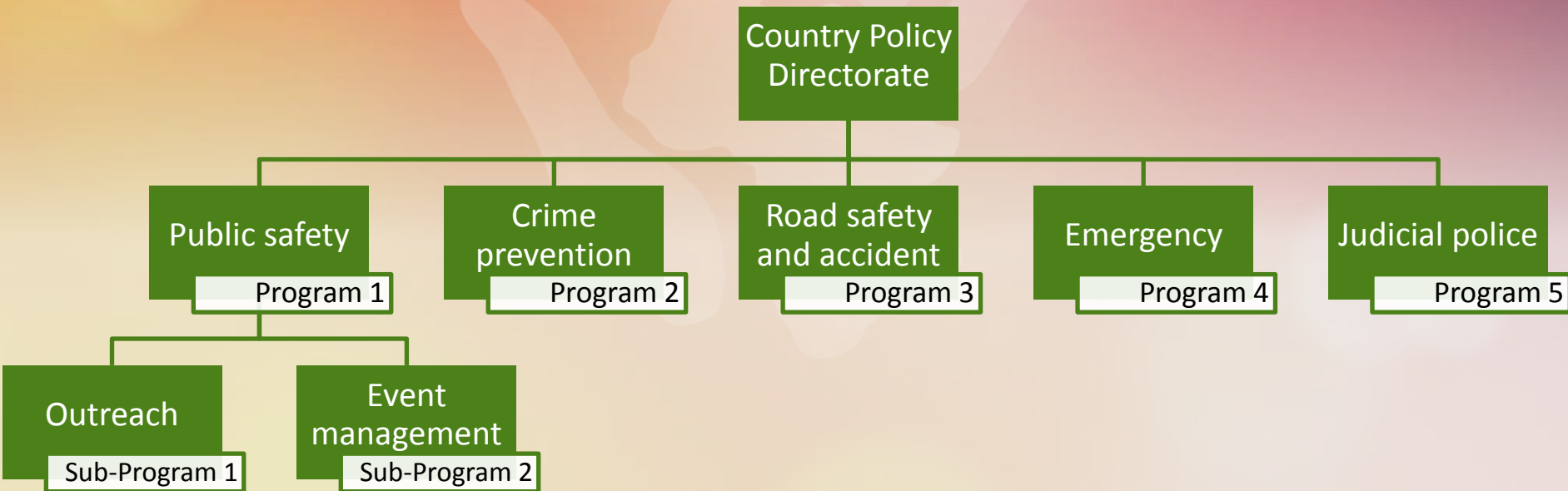
RBB: a procedure which links resources and objectives

RBB is a **budgetary procedure** geared at formulating **budget-programmes** focused on **objectives** and **expected results**. Thus:

- **Formulation of a development intervention (policy, programme, project) which revolves around pre-determined objectives and expected results;**
- **Resource needs are determined based on expected results (outcomes and impact) according to outputs required for obtaining these results;**
- **Attained results are measured with the help of indicators.**



Budget structuring by programme -Example



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RBB: context (1/2)

RBB falls within the framework of **new budgetary reforms** underway at the international and national levels with the aim of contributing to the **attainment of the MDGs**.

- At the **international level**: MDGs, implementation of the Paris Declaration (2005), etc.;
- At the **subregional level** (WAEMU): application of RBM to budgeting
- At the **national level**: PRSP, programme approach, MTEF, PEFA, etc.



RBB: Public service agreements in the United Kingdom

- Objectives and targets defined within the multiannual financial framework
- Link between financing and targeted objectives

Examples of targeted objectives for public services

- Health:** Inequalities in the health sector such as those measured by infant mortality and life expectancy at birth are reduced by 10% by 2010.
- Crime:** The crime rate in high crime rate areas is reduced by at least 15% by 2009.
- Environment:** Energy poverty in England's vulnerable households is eliminated by 2010.



RBB: context (2/2)

These reforms aim to:

- Increase **performance** by focusing the budget towards results;
- Give **more importance to strategic decisions** in reinforcing **multiannual budgetary programming (MTEF, Results-Based Budget Programme)**;
- Strengthen **budget decentralisation** in favor of **close management** which responds to beneficiaries' expectations;
- Simplify **public expenditure procedures**, between more reductions in control *a priori* and strengthening control *a posteriori*; and,
- Adapting monitoring and evaluation to the **results chain**.



Budgeting objectives and the role of RBB

1. **Good macro-budgetary results**
 - Deficit and debt management
 - Total priority given to **budget viability**
2. **Adequate allocation of funds**
 - Financing prioritized for sectors and programmes that are most useful to societies ("**definition of priorities**")
3. **Service effectiveness and efficiency**
 - Effectiveness guaranteed from conception to management
 - Services delivered at **lower cost**

RBB is **particularly accountable** with regards to the achievement of objectives 2 and 3, all of which **contribute indirectly** to the achievement of objective 1



RBB: Budgetary reform pillars

Smooth multiannual programming, based on results

Increased visibility of strategic decisions

Results-based budget management

Performance indicators

Contract-based relations

Empowerment of managers

Performance Indicators

Expenditure control:

Simplify procedures and internalise consistent control (a posteriori)

Performance audit:

Increase objective attainment and socio-economic effectiveness levels (performance indicators)

Budget management information system:

Aggregate and digitise budget information (free public access)

RBB: Rationale

Classical method of budget formulation:

- Priority is given to resources and expenditure (weak link between resources and final results).
- This gap explains and justifies the orientation towards a budget- programme approach.

Results-based budgeting method does not change the budget type ...

- ... but emphasises the effective fulfillment of programmes, increased budgetary transparency.
- Emphasis is on results (quantitative and qualitative) achieved with allocated resources.



RBB: comparison of approaches(2/2)

<p>Classical management Normative model</p>	<p>Modern management Causal model</p>
<p>Performance = conformity to tasks, legality and frequency of financial procedures</p>	<p>Performance = combination of resources and activities for achieving results (outputs, effects and impact)*</p>
<p>Performance measure = Budget execution rate</p>	<p>Performance measure = savings, efficiency, effectiveness and programme sustainability.</p>
<p>Financial execution report</p>	<p>Performance report (Results-based report)*</p>
<p>Parliamentary approval = vote on expense chapters</p>	<p>Parliamentary approval = vote on results-based programmes</p>

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 Budgetary performance is defined in an Annual Performance Plan which indicates – by programme – the actions, costs, sought-after objectives. At the end of the exercise, it is evaluated through the Annual Performance Report.

RBB: Link with Results Chain

RBB = a phrase for **translating identified results and activities into budgetary terms** at the action plan level. It involves the following **fundamental steps**:

- Determination of **outputs and expected results**;
- Identification and ranking of **activities** for generating these **outputs**;
- Determination and quantification of human, material resources required for each **activity**;
- Estimation of **cost** for each **activity**;
- Determination of **sources and financing options**.

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RBB: some success stories – Chili

- Of all of the countries in the Latin American and Caribbean (LAC) region, Chili has the most developed institutional MfDR capacity by way of maturity level of its RBB systems, M&E and Public Finance Management.

MfDR Pillar	Chili	Average
Results Based Planning	2,7	2,3
Results-Based Budgeting	4,4	1,4
Financial management	4,5	2,5
Project management	3,5	1,9
Monitoring & Evaluation	4,5	1,6
MfDR Index	3,9	1,9

- It is the only country to launch a consolidated RBB system which focuses on programme performance during resource allocation. This information is developed through a robust M&E system, overseen by the Management of the National Treasury's Budget.
- Additionally, the country has put in place an incentive system for civil servants in order to encourage efficient and effective management of public programmes (fulfilment of yearly tasks often linked to performance).



RBB: some success stories– Brazil

- Brazil is one of four countries which are part of group of advanced countries in MfDR in the Latin American and Caribbean region.
- **Results-Based Planning (RBP)** is developed in the region and is well-coordinated with the budget through the **Medium Term Development Plan**
- In terms of RBB, a performance indicator system for budgeting is yet to be created.
- There is an indicator system which adapts to budgetary execution reports and another for programme and project progress reports.
- There is a **Medium Term Budgetary Framework** which serves as a the foundation for budgetary execution in conformity with the **MTDP**.

Pilier GRD	Brazil	Moyenne
Results-Based Planning	4,2	2,3
Results-Based Budgeting	3,8	1,4
Financial Management	4,0	2,5
Project Management	2,9	1,9
Monitoring & Evaluation	3,9	1,6
MfDR Index	3,7	1,9



Conclusion

- Take initiative to **develop and promote methodological guides** (or manuals) on MfDR, MTEF and programme budget).
- Take all necessary measures to push for a move from an « **Inputs-Based Budget** " to a " **Results-Based Budget** ".
- **Encourage the preparation of annual performance reports which demonstrate progress towards the achievement of results** instead of annual activity reports.
- **Develop and disseminate budget-specific monitoring and evaluation tools.**



Thank you for your attention.

AfCoP Web Site: <http://copmfdrafrica.ning.com>



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