



Ministry of Health & Population



Proceedings Report



Workshop on OUTPUT BASED BUDGETING (OBB) 18-19 October 2011

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List of Abbreviations

AWPB	Annual Work Planning and Budgeting
DoHS	Department of Health Services
eAWPB	Electronic Annual Work Plan and Budget
FCGO	Financial Comptroller General's Office
FMIS	Financial Management Information System
GoN	Government of Nepal
GP	General Practitioner
GFS	Global File System
HMIS	Health Management Information System
HSIS	Health Sector Information System
HURDIS	Human Resource Development Information System
LMIS	Logistic Management System
MDG	Millennium Development Goal
MfDR	Managing for Development Results
MoF	Ministry of Finance
MoHP	Ministry of Health and Population
MTEF	Medium Term Expenditure Framework
NGO	Non-Government Organisation
NHIC	National Health Information Centre
NPC	National Planning Commission
NHSP-2	Nepal Health Sector Programme-2
OBB	Output Based Budgeting
OECD	Organisation for Economic Co-operation and Development
PFM	Public Financial management
PPICD	Policy Planning and International Cooperation Division
SWAp	Sector Wide Approach

EXECUTIVE SUMMARY

Output Based Budgeting (OBB) is a tool used in many countries to make social sector expenditure more result-oriented and to help achieve policy objectives. NHSP-2 recommends the introduction of OBB in the Ministry of Health and Population (MoHP), and the overall objective of this workshop is to initiate a national discussion on this. Participants in the workshop included policy planners, heads of account sections, heads of divisions from MoHP, the National Planning Commission, the Finance Controller's Office and External Development partners (EDP). Three thematic papers were presented i) Output Based Budgeting – An Overview, ii) National Experience on Annual Work Planning and Budgeting and iii) Nepal's Experience on Output Based Budgeting. Following this, working groups discussed the following broad areas (i) budgeting and accounting (ii) outputs (iii) OBB process (iv) capacity building and (v) indicators.

This workshop successfully sensitised the key actors to lead the discussions on output based budgeting. However, the concepts and principles of OBB need to be sufficiently clarified to develop a common understanding among all stakeholders. Dr Bal Krishna Suvedi, Chief of PPICD, proposed the following steps to move ahead. Step 1: Workshop participants will bring the OBB concept and the workshop recommendations to the attention of high level policy planners in MoHP, NPC and MoF; Step 2: A working committee will be formed to decide on implementation modalities, having first explored ways to implement OBB and realistic time lines, and it will hold further discussions with EDPs and other stakeholders; Step 3: The recommendations of the committee will be presented at a wider forum for discussion and finalisation.

1. BACKGROUND

Significant improvements have been made in the health sector in recent years, with evidence that Nepal is moving towards achieving the Millennium Development Goals (MDGs). In order to support further progress, the Government of Nepal (GoN) has endorsed the Nepal Health Sector Support Programme (NHSP-2). One of the components is to strengthen the budgeting process to make it more results-oriented. This is expected to increase the effectiveness of spending, and support institutional change.

Output Based Budgeting (OBB) is a tool put in place in many countries to make social expenditure more results-oriented, and it is seen as a tool for helping to achieve policy objectives. NHSP-2 recommends the introduction of OBB in the MoHP. A first stage in the process of putting in place OBB is to create awareness about the concept and operational mechanisms through a workshop. This report records the proceedings of the OBB workshop held on 18-19 October, 2011.

2. WORKSHOP OBJECTIVES

The overall objective of this workshop is to initiate a national discussion on Output Based Budgeting (OBB). Specifically, the workshop intends to look at international experiences of OBB and operational mechanisms, to explore its potential benefits to MoHP and lay the basis for a broad framework for implementation.

3. PARTICIPANTS

Around 45 participants attended this important workshop, including policy planners, heads of account sections, heads of divisions from Ministry of Health and Population, the National Planning Commission, the Finance Controller's Office and EDP representatives. A complete list is included as *Annex 1*.

4. WORKSHOP PROCEEDINGS

4.1 Opening Formalities

The workshop opened with a welcome note by Dr. Bal Krishna Suvedi, Head of Programme Planning and International Coordination Division, Ministry of Health and Population. Dr. Suvedi emphasised the importance of Output Based Budgeting and committed to adopting the concept within the MoHP. As a first step in the process he pointed to the need for development of a common understanding among all actors of the concepts and principles and approaches of output based budgeting. He also described the general and specific objectives of the workshop. He further hoped that at the end of the workshop the participants would be able to jointly define a framework for implementation of OBB. He conveyed the warm greetings and best wishes for a successful workshop from the Secretary, MoHP and Director General, DoHS and their apologies for being unable to attend, due to unforeseen circumstances.

The participants adopted the proposed two-day workshop schedule and developed the workshop ground rules for 'learning with fun'.

4.2 Thematic Paper Presentations

Three thematic papers were presented. The first was from Tomas Lievens, Oxford Policy Management, entitled "Output Based Budgeting – An Overview" (*Presentation in Annex 2*). The second paper was about experiences of Nepal in Annual Work Planning and Budgeting, by Dr Bal Krishna Suvedi, Head of PPICD, MoHP (*Presentation in Annex 3*). Mr Dhurba Prasad Dahal from National Planning Commission (NPC) presented the third paper, "Nepal's Experience of Output Based Budgeting" (*Presentation in Annex 4*). Excerpts and overviews from the three papers are presented below.

(i) Concepts and International Experiences

Output Based Budgeting (OBB) has attracted significant attention from governments around the world. It is seen as an effective tool for achieving high level public finance management objectives of fiscal discipline, allocative efficiency and technical efficiency. There is not a single agreed definition of OBB, and many different terms and concepts refer to the same underlying practice. Probably the most frequently used term is 'performance based budgeting'. Underlying the idea of OBB is the value chain, i.e. the way in which inputs are translated in outputs, outcomes and impact. A 'performance based budgeting' approach, such as OBB, would shift the emphasis, through the budgeting process, from input control, often through line item control, towards health outcomes. This is likely to affect the way in which budgets are formatted and managed; away from strict control over line-item budgets, towards programme budgets with high levels of discretionary spending power for budget holders. Fully implemented, OBB will also provide managers with more degrees of freedom to manage their programmes, for example in the areas of hiring and firing staff.

International experience shows that even if the concept of OBB has gained in popularity, only a few countries have implemented far-reaching government-wide OBB reforms. New Zealand is one of the most often cited examples. However, in much of the OECD, reforms are much more timid, and elements of OBB are only gradually introduced in what are essentially line-item approaches to budgeting. More popular, however, are sector-level forms of OBB. In the UK, the Quality and Outcomes Framework (or 'GP contract') would be a good example, as the many variations of 'pay for performance' or 'performance financing' in low and middle income countries. The Aama programme is an example of a sector-level performance based budgeting in Nepal.

Notwithstanding widespread interest, there is little hard evidence about the impact of OBB, especially of government-wide approaches. The main challenge in attributing impact is the lack of a counterfactual, the difficulty of determining and measuring an acceptable level of 'outcome/impact', and the often long time it takes to produce these. The evidence for sector-level forms of OBB is better, at least for some. Hospital payment reform, such as case-based payment, a form of performance based budgeting, is widely been credited with improving efficiency levels. The evidence for 'pay for performance' initiatives is only gradually becoming available.

There is a wide range of literature about the operational challenges of implementing OBB. While these are inherent to the type of OBB, some common themes emerge. One the greatest

difficulties is to determine the right level of output/ outcome/ impact in the value chain. As the behaviour of agents is affected by performance based budgeting, either through extrinsic or intrinsic incentives, it is crucial to direct their behaviour in such a way that it contributes fully to achieving the sector or government-wide goals. This 'behavioural' challenge is compounded by the difficulty of moving beyond 'outputs' as outcomes/ impacts are often produced beyond the budget year, and they are not easily attributed to specific programmes. The most common way around this problem is to apply a basket of performance measures in OBB programmes, comprising the programme inputs, quantity and quality of goods and services produced, and outcomes. Much progress has also been made in designing the right 'type' of indicators (for example the use of 'SMART' indicators).

A second challenge is to determine the 'cost' of a programme, in order to set the level of resources that need to be made available to produce the programme output/ outcome. There is much experience with costing health programmes that can be put to good use in health sector level performance based budgeting. Many countries have also been able to overcome this challenge by shifting from a cash to an accrual budgeting and accounting system.

A third challenge is related to introducing adapted performance management systems in the public service. This is often portrayed as a choice from a set of options between two extremes on a continuous scale. At the one hand there is a 'contract model' in which civil servants engage in tight performance contracts with highly specified outputs that reward achievements with extrinsic rewards. At the other end of the scale is a 'management model' in which civil servants are empowered, through norm setting and competence enhancement, to achieve public sector goals; rewards tend to be more intrinsic in nature.

Putting in place OBB can follow different approaches. Experience elsewhere distinguished between:

- Government-wide versus sector-level or sub-sector level OBB initiatives
- A top-down approach led by central government ministries such as Finance and Planning, versus a bottom-up approach where line ministries such as health develop initiatives
- A big-bang approach versus a gradual implementation.

There is no evidence that one specific approach outperforms another. The choice of approach in contrast is best driven by context specific characteristics.

Lastly, experience elsewhere throws up a number of questions for consideration when developing a performance based financing / OBB approach in Nepal:

- What are the achievements and lessons learned from ongoing performance based budgeting experiences in Nepal?
- Which forms of OBB could be introduced, both at health sector and sub-sector level? Can coherent outputs and programmes for OBB be defined?
- Are the accounting mechanisms to cost OBB outputs and programmes available? What are the changes that need to be made to existing systems? Which systems have to be built?

- Are the management information systems to collect data and information to produce OBB performance measurement indicators in place? What are the changes that need to be made to existing systems? Which systems have to be built?
- Which ministry should drive an OBB process in health? Is a step-by-step process or rather than a big-bang advisable?
- What are the most important capacity issues associated with introducing OBB in the health sector? How can these be addressed?

(ii) Annual Work Planning and Budgeting – Nepal Experiences

The Government of Nepal (GoN) embarked on a Sector Wide Approach (SWAp) in health and education in the fiscal year 2005/6 and agreed to adopt, in line with the Paris Declaration, pool and direct funding mechanisms as a means to maximise the effectiveness of external support. The MoHP led the process of developing the first and second National Health Sector Programme Implementation Plans (2004-2009 and 2010-2015 respectively). The source of funds for the implementation of NHSP-1 and NHSP-2 included government funds, pool funds, non-pool funds and some other non-state sectors such as international NGOs. Funding modes for external assistance have been built into the Red Book for line items, the White Book which is a source book with all details of external assistance, the Blue Book with all details of technical and other assistance including international NGOs, and the Yellow Book with all details of public undertakings.

With all these mechanisms in place, the Annual Work Plan and Budgeting (AWPB) process starts in the beginning of February and ends in the middle of May for presentation to Parliament for approval. The process starts from the top (the Ministry) and the 'bottom' (local entities) at the same time. The implementation of planned programmes starts with the publication of the budget in the Red book followed by authorisation of the budget to different cost centres. Recently, the government has developed an electronic AWPB (eAWPB) budgeting system. The departments, centres, divisions, hospitals and autonomous bodies have been oriented to use the eAWPB. The Division for Programme Planning and International Coordination (PPICD) is responsible for compiling the activities and budget.

The discussions during the OBB workshop recognised the current budgeting and programme implementation environment described above. The workshop also took into account the guidance provided by the NHSP-2, to integrate existing performance based programmes and provide more programmatic freedom to cost centres and evidence-based resource allocation in health. The current NPC and MoF procedures, such as unit cost based budgeting, lumping cross-cutting and distinct activities under the same output umbrella, are some of the challenges to OBB. As a first step it is therefore necessary to develop a joint understanding of the type of OBB that can be applied in the MoHP, and to develop appropriate implementation mechanisms.

(iii) Managing for Development Results

Output Based Budgeting is a management technique that evolved gradually as the nature of general and financial management practices within the public sectors of many jurisdictions underwent significant changes. The idea is that government agencies are funded on the basis of delivery of planned and actual outputs and outcomes. In theory, the traditional budgeting

process, based around rationing of inputs, is reversed. The key question is what will be produced by each agency rather than what its expenditure should be. Generally, it is the result-based budgeting that requires measurable outcomes defined outputs and performance indicators. Traditional budgeting is specifically based on inputs, activities and outputs, whereas results-based budgeting is based on inputs, activities, outputs, expected accomplishments, indicators of achievements and contribution to mission and objectives.

The concept of Managing for Development Results (MfDR) emerged as a tool for linking outcomes and outputs with inputs and activities, thereby improving the effectiveness of resources spent. MfDR is both (i) a management approach and (ii) a set of tools for strategic planning, monitoring and evaluating performance, reporting and feedback. It is a management strategy that focuses on using performance information to improve decision making. It involves strategic planning, risk management, progress monitoring, and outcome evaluation. Five principles of MfDR include: focusing the dialogue on results; aligning programming, monitoring, and evaluation with results; keeping measurement and reporting simple; managing for, not by, results; and using results information for learning and decision making. A business plan helps in implementation of MfDR, which is a rolling plan usually with a three year perspective which emphasises themes.

Nepal successfully undertook some preliminary innovations that are likely to facilitate OBB implementation. These include the Medium Term Expenditure Framework (MTEF), which was initiated during the Tenth Plan (FY 2002/03) and supplemented by prioritisation of the projects (P1-P3); the evolution from 'regular and capital' budget categories to 'recurrent and capital' categories in FY 2004/05; the introduction of a performance-based budget release system; the introduction of the MfDR concept in selected ministries on a pilot basis in 2007; the mandatory provision of procurement plans for development activities; the mandatory provision of monitoring plans; and the introduction of the GFS manual budget classification system in 2001.

Implementation of OBB is a gradual process, which will have to overcome many challenges. In conclusion, declining resources and increasing demands are important challenges that need to be addressed through systematic planning, implementation, and results management at all levels, by adopting an integrated approach to development and results management in government.

4.3 Plenary Discussion

Each presentation was followed by plenary discussions for clarification and comments by participants. Most participants considered the first presentation as a knowledge building session and reported that this was useful in gaining understanding about OBB. They further pointed out that Nepal needs a local OBB model which can respond the current planning and PFM challenges. Questions were more towards differentiating the OBB and performance based budgeting, requirement of system reforms before introducing OBB, cost benefit of OBB approach, Nepal's capacity in implementing OBB and time require to implement OBB nationwide.

Participants asked the second presenter some policy related questions. These covered: active involvement of financial management section during budget preparation, the planning process is more top-down, annual plan does not utilise the evidence from HMIS and delays in authorisation. The second presenter agreed that the financial management section needs to be involved actively in preparation of the annual budgets, the top down approach is practised

because of the culture of getting budget ceilings from the MoF. However, new activities are always approached by the lower level authorities. He also agreed that MoHP needs to strengthen its HMIS so that the information can be better used in preparing the budget. He further noted that timely authorisation always depends on timely budget approval from parliament. For the final presentation, participants asked about the role of the NPC in implementing the OBB, commitment of NPC in changing its current planning formats, and making the overall budgeting process evidence-based and responsive. The presenter responded that NPC is positive towards managing the results through linking the outputs and outcomes in the planning process. He also agreed with the previous presenter that the OBB should be defined in a Nepalese context. He further highlighted that both sector and sub-sector needs to work together to make the budget more scientific and responsive

4.4 Group Work

The group collectively identified five major issues for in-depth discussion in small groups, structured around the following broad areas (i) budgeting and accounting (ii) outputs (iii) OBB process (iv) capacity building and (v) indicators. The issues were further broken down into specific questions that helped the participants to initiate group discussions and generate ideas. Below is an overview of the group presentations.

i) Budgeting and accounting

- a. *Do you know any situation where budget users have the liberty to use budget according to the local need for PMF within the current situation?* Current policy and budget practice do not allow the cost centres any liberty to use the budget more logically. This applies specifically to managers and line item budgets. Some level of liberty is given to the managers to use the budget more logically in some conditional programmes, programmes being implemented with specific grants, and other demand-side financing programmes like Aama.
- b. *What changes do you recommend in the current accounting and budgeting rules to give liberty to managers?* A particular guideline should be developed to authorise managers to use the budget more logically. Furthermore the financial rules and regulations should be amended. A transactional accounting system should be developed so that OBB outputs could be managed effectively. The managers should be given freedom to manage resource expenditures, and to make necessary changes in capital expenditure. The current budgeting process and formats prescribed by NPC should be revised, along with accounting formats, rules, recording and reporting systems. New fund flow mechanisms and payment systems should be introduced.
- c. *Is our accounting system good enough to use for costing of OBB outputs?* The current financial system is not good enough to use for costing of OBB outputs as there is no provision to report OBB outputs.

ii) Outputs

- a. *Suggest areas in the health sector where OBB could be applied both at ministry and sub-ministry level.* This system should be piloted initially in five districts. It was further suggested that an OBB approach should be piloted in maternal health programmes, child health, training management, tuberculosis programme and selected hospital services. This is expected to ensure cross-programme learning and contribute to strengthening OBB practices.
- b. *How could we reorganise the budget into programmes to better reflect NHSP-2?* Comprehensive process, mechanisms and implementation guidelines should be developed before launching the OBB pilot. Further strengthening of eAWPB would help to effectively apply OBB. Serious attempts should be made to negotiate with NPC to revise existing planning formats. Discussion with NPC should be backed up with practical suggestions. Outputs should be further defined with reference to NHSP-2. The number of activities in the budget is currently too high. Many activities could be merged and clustered. Tentative costing should be prepared to have unit cost of (clusters of) activities. Negotiate with senior managers and mid-level managers while developing budget. The concepts and modalities directed by NHSP-2 should be incorporated into OBB practices.

iii) OBB process

- a. *Give 5 sequential steps to implement OBB and provide a time line:*
 - i. Formation of working committee within two months.
 - ii. Preparation of background document with information, evidence and recommendations within one year. Some of the ideas for background papers are (a) results based budgeting systems should be utilised effectively so that a national ceiling for resources and bottom-up planning could be strengthened. (b) Link the monitoring and evaluation with planning to ensure evidence based planning by using monitoring and evaluation results.
 - iii. Strategic, operational and monitoring road map should be developed within six months.
 - iv. Advocate for consensus budgeting with NPC, MoF and FCGO, with the help of background document; review of existing policies, NHSP II, strategies and guidelines to identify gaps to apply OBB and review existing planning process and formats
 - v. Redefine the outputs in existing eAWPB.
 - vi. The OBB process should be endorsed within six months.
 - vii. Implementation of OBB practices after approval by the government.
 - viii.

iv) Capacity building

What are three priority areas for capacity building as a pre-condition for OBB application and elaborate the details? The capacity building initiatives could include training and exposure to the programme and financial managers, workshops, on-site coaching and revision in role and structure. Specifically the following capacity building initiatives could be undertaken:

- a. Restructure the existing planning unit under PPICD. Increase technical human resources under planning unit.

- b. Provide skill training to staff working in PPICD and Management Division of Department of Health Services.
- c. Strengthen planning division of DoHS.
- d. Strengthen human resource capacity so that they can conduct the process and impact evaluation effectively.

v) Indicators

Is the current HMIS strong enough to be used for OBB? What the areas for improvement? The quality and credibility of the HMIS system has improved over time. A set of qualitative and quantitative indicators should be developed to reflect the institutional performance of HMIS. However, the following initiatives could be taken to make HMIS of more direct use to OBB:

- a. Effective implementation of Health System Information System (HSIS)
- b. Establish the National Health Information Centre (NHIC)
- c. Establish logical linkage among HSIS, HMIS, LMIS, PMIS, TMIS, FMIS with Human Resource Development Information System (HURDIS) in the centre.

Summary

This workshop has successfully sensitised the key actors, enabling them to lead the dialogue on output based budgeting. However, the concepts and principles of OBB need to be sufficiently clarified to develop a common understanding among all stakeholders. The MoHP should initiate the process and get the consensus of National Planning Commission and Ministry of Finance. This will ensure that OBB is implemented within the timeframe suggested by the NHSP-2.

5. WAY FORWARD

Dr Bal Krishna Suvedi thanked all participants for their meaningful contributions, the presenters for their thought provoking presentations, the NHSSP for organising the workshop and all others who contributed to the success of the workshop. He proposed following steps to move ahead.

Step 1: The OBB concept will be brought to the attention of high level policy planners in MoHP, NPC and MoF by workshop participants. The recommendations made by the participants (in the small group discussions), with necessary explanations will be used to initiate the higher level dialogue.

Step 2: A working committee will be formed to decide on implementation modalities. It is estimated that the entire process of applying OBB could be completed within two years if only the key MoHP programmes are involved, but it could take longer if applied in a holistic manner across the Ministry. The committee will explore the most pragmatic modality and timeline. The committee is also expected to initiate further discussions with EDPs, other stakeholders and political bodies.

Step 3: Once the committee determines the framework, it will be presented at a wider forum for discussion and finalisation.

Annex 1: List of Workshop Participants

SN	Name	Designation	Organization
1	Dr. B.K. Suvedi	Chief, PPICD	MoHP
2	Dhruba Prasad Dahal	Joint Secretary	National Planning Commission
3	Dr. P.B. Chand	Chief, PHA, M&E	MoHP
4	Lila Raj Paudel	Section Officer	MoHP
5	Ram Bahadur Gharti Magar	PHI	NHEICC
6	Chitra Chauhan	Com. Officer	LMD/DoHS
7	Narahari Shrestha	PHO	NHR
8	Badri Bahadur Kahdka	Director	NHEICC
9	Gyanendra Paudel	Finance Controller	DoHS
10	Diwakar Achayra	Director	OAG Nepal
11	Basu Dev Neupane	Facilitator	Freelancer
12	Franziska Furest		GIZ
13	Dr. Ghan Shyam Gautam		GIZ
14	Latika Maskey Pradhan	Program Manager	AusAID
15	Frank Paulin	M.O. PHA	WHO
16	Devi Prasai	DSF- Consultant	NHSSP
17	Dr. Murari Pd. Upadhyaya	Sr. H. Adm.	EDCD
18	Jhabindra Pandey	Demographer	FHD
19	Prabha Baral	S.O	MoHP
20	Dr. Kishori Mahat	NPO	WHO
21	Ramchandra Man Singh	Governance Adviser	NHSSP
22	Lat Narayan Shah	Zoonotic Officer	EDCD
23	Dr. B.R Marasini	Chief-HeSRU	MoHP
24	Shiva Prasad Simkhada	Under Secretary A/C	MoHP
25	Anil Thapa	Stat. Officer	MoHP
26	Mohan B. Thapa Magar	A/c Officer	MoHP
27	Tomas Leivens	Health Economist	OPM/NHSSP
28	Suresh Tiwari	HF-Adviser	NHSSP
29	Matt Gordon	Health Adviser	DFID
30	Dr. Amit Bhandari	Health Adviser	DFID

SN	Name	Designation	Organization
31	Dinesh Kumar Chapagain	Sr. PHA	Management Division
32	Sitaram Ghimire	Sr. MEO	NTC, Thimi
33	Dr. Naresh Pratap KC	Director	FHD
34	Dr. Manav Bhattarai	Health Specialist	World Bank
35	Krishna Sharma	HFA	NHSSP
36	Nancy Gerein	Team Leader	NHSSP
37	Dr. Megh Raj Dhakal	Under Secretary	MoHP
38	Rajan Adhikari	Computer Officer	MoHP
39	Tej Prasad Panthi	Planning Officer	NPCS
40	Tara Gurung	Country Manager	AusAID
41	Dr. Vasudev Upadhyaya		DoA
42	Dinesh Regmi	Accounts Officer	DoA
43	Dr. Deb Kala Bhandari	General Director	DoA

Annex 2: Output based budgeting – An overview (Power point Presentation)



Oxford Policy Management

'Output based budgeting' An overview

Tomas Lievens
October 2011

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Contents

- What is output based budgeting?**
- Some examples of OBB**
- Impact of OBB**
- Operational dimensions of OBB**
- OBB in Nepal - preliminary questions**

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What is output-based financing?

- **PFM objectives**
 - Fiscal discipline
 - Allocative efficiency
 - Operational efficiency

Aggregate Fiscal Discipline
Budget totals should be sustainable over the medium-term and beyond.

Allocative Efficiency
Expenditures should be based on government priorities and on effectiveness of public programs. The budget system should spur reallocation from lesser to higher priorities and from less to more effective programs.

Operational Efficiency
Agencies should produce goods and services at a cost that achieves ongoing efficiency gains and (to the extent appropriate) is competitive with market prices.

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What is output-based financing?

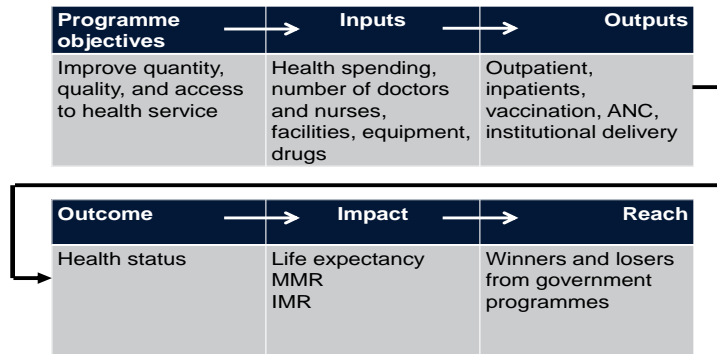
- **'Output-based financing' is a way to improve allocative and operational efficiency**
- **Different output based budgeting designations**
 - Programme budgeting
 - Planning-programming-budgeting systems
 - Results-oriented budgeting
 - Most common term is performance budgeting (PB)
- **No single agreed designation / model of output based financing**
 - Similar designations refer to slightly different practice
 - Models are adapted to country context

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What is output-based financing?

- **Value chain is at the basis of PB**



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What is output-based financing?

- **How do we link budgeting to the value chain – three different approaches**

	Line item	Programme	Performance
Content	Expenditure by input	Expenditure for a cluster of activities	Results-based chain to achieve specific objective
Control-focus	Input	Input	Inputs, outputs, results
Management	Hierarchical control Little managerial discretion	Hierarchical control Managerial flexibility over allocation within programme	Managerial flexibility over inputs and programme design

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What is output-based financing?

• Line-item budget: District vaccination programme

Expenditure items	2004 actual	2005 estimated	2006 budgeted
Personnel	1,000	1,150	1,310
Salaries	600	700	760
Bonuses	400	450	550
Office expenses	750	960	1,060
Administrative	150	200	200
Printing	160	200	200
Utilities	150	180	210
Mailing	110	180	200
Travel	180	200	250
Vehicle purchase	0	0	500
Maintenance	40	50	50
Others	30	35	35
Total	1,820	2,195	2,955

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What is output-based financing?

• Programme budget: US Department of Education (US\$ million)

Spending by Discretionary Budget Authority	Actual		Estimate	
	2006	2006	2006	2007
Elementary and secondary education				
Title I grants to local educational agencies	12,740	12,713	12,913	
School improvement grants	n.a.	n.a.	200	
Reading First and Early Reading First programs	1,146	1,132	1,132	
State assessments	412	408	408	
Teacher Incentive Fund	n.a.	99	99	
Teacher quality state grants	2,917	2,887	2,887	
Charter schools programs	254	251	251	
America's Opportunity Scholarships for Kids	n.a.	n.a.	100	
Impact aid	1,244	1,228	1,228	
Safe and drug-free schools programs	672	569	216	
21st-Century Community Learning Centers	991	981	981	
English-language acquisition	676	669	669	
Individuals with Disabilities Education Improvement Act Part B state grants	10,590	10,583	10,683	

Discretionary budget authority over total

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What is output-based financing?

• Performance budgeting: Australia Child Care Support Programme

Programme objectives

Program: Child Care Support Program

Performance objectives:

- Promote, support, and enhance quality child care
- Improve access to child care for children and families with special or additional needs
- Support equitable access to child care for children and families in areas or circumstances where services would not otherwise be available.

Subprogrammes

Australia's Child Care Support Program includes the following subprograms:

1. Child Care Benefit
2. Jobs Education and Training Child Care Fee Assistance
3. Stronger Families and Communities Strategy—Choice and Flexibility in Child Care
4. Support for Child Care.

The fourth subprogram, Support for Child Care, is funded as payments are made directly to providers and to the states and territories. This program was introduced in 1997 to encompass all of the ongoing and new programs the department funds to support child care.

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What is output-based financing?

- **Performance budgeting: Australia Child Care Support Programme**
(...)

	Measure	Number or percent
Targeting	Effectiveness: targeting	
	Number of children with additional needs using Australian government-approved child care services	126,000
	Children with disabilities	16,700
	Aboriginal, Torres Strait, and Australian South Seas Islander children	15,000
Quality	Children from non-English-speaking background	95,000
	Quality: access and choice	
	Number of children with disabilities assisted into mainstream services	16,700
Quality assurance	Quality assurance	
	Percentage of centers satisfactorily participating in the Quality Improvement and Accreditation System	90
	Percentage of family day care services satisfactorily participating in Family Day Care Quality Assurance	90
	Percentage of outside school hours care services satisfactorily participating in Outside School Hours Care Quality Assurance	90
Quantity	Quantity	
	Number of indigenous-specific services	270
Price	Number of services specifically targeted to rural and remote areas	1,200
	Price	\$A 18.4 million

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What is output-based financing?

- **An operational approach to performance based financing is likely to comprise any or all of the following elements**
- Divide government budget for information purposes into **programmes representing identifiable units with similar aims** and operations
- **Identify the operational aims** of each programme **for the budget year**
- **Budget and account** so that the separate expenditure / costs of each programme are shown
- **Measure the outputs and performance** activities so that these can be related to their costs, and to the operational aims
- **Establish standards and norms** using empirical data so that costs and performance can be evaluated and government resources used more efficiently

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What is output-based financing?

- **Objectives**
 - Budget priorities
 - Controlling expenditure
 - Improving allocation
 - Operational efficiency
 - Improving public sector performance
 - Improving accountability to politicians and the public
- **PB shifts the accountability from input to output**

<u>From</u>	“Did you follow the rules and spent according to appropriate line item?”
<u>To</u>	“Did you achieve the specified programme outputs with the allocated resources?”
- **Government-wide PB versus sector PB**

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What is output-based financing?

- **Different types of performance oriented budgeting**
 - **Performance-reported budgeting**
 - Presentational performance budgeting
 - Performance information is presented in budget documents
 - Information on targets or results is included as background information
 - Information does not play role in decision making
 - **Performance-informed budgeting**
 - Resources are indirectly related to future or past performance
 - Performance information is taken into account in budget decision-making process but doesn't determine the amount
 - Performance information is used along other information
 - **Performance-based budgeting**
 - Performance-information plays an important role in budget decision-making
 - Other information is taken into account
 - Performance-information not necessarily determines the budget amounts
 - **Performance-determined budgeting**
 - Resources are allocated based on results achieved

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Case study – Snapshot of government-wide PB

	Line-item	Performance reported	Performance informed	Performance based	Performance determined
Australia			X		
New-Zealand				X	
United States		X			
Bolivia	X				
Chile			X		
China	X				
Malaysia			X		
South-Africa	X	X			
Tanzania	X		X		
Thailand	X	X			

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Case study - OECD

- **Most countries have not implemented government-wide PB**
- **Performance plans and targets are not discussed / approved during the budget process**
- **Challenges in implementing OBB**
 - Difficulty to find appropriate ways to integrate performance information into the budget process
 - Lack of buy-in from key decision makers
 - Deficiency of quality of information for OBB
 - Deficiency in performance measurement systems for OBB

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Case study – New Zealand

- **Most widely discussed example of PB: pushed reforms furthest in terms of devolution of management controls over inputs**
- **Description**
 - Ministers are accountable for the **outcomes** produced by the Department
 - Ministers choose which **outputs** should be produced
 - Chief Executives are **directly responsible for the outputs** produced by their department
 - Chief Executives sign **performance contracts** covering departmental and personal performance, reporting requirements, performance review
 - Chief Executives are on **short term contracts**
 - Chief Executives are **free to run the departments** to achieve agreed goals including appointment, remuneration and promotion of staff
 - Employment relations governed by the 1991 Employment Contract Act
 - Move towards **outcome-based approach**, but difficulties to operationalize
 - **SMART indicators** are used to monitor output
 - Full **accruals accounting**

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Case study – New Zealand

- **Evaluation results**
 - Improvements in financial discipline
 - Prioritisation of public expenditure
 - Improvement in technical efficiency
 - Harmonised budgeting practice across different administrative levels
- **Is the New Zealand experience replicable in low-income countries?**
 - Several authors suggest it is not
 - Mongolia replicated (part of) the reform but faces challenges
 - Difficulty in imposing financial discipline
 - Inadequate expenditure classification
 - Inadequate monitoring
 - No publicly accountable external audit
 - New Zealand characteristics absent in developing countries
 - Civil service is competent and politically neutral
 - Little corruption and nepotism
 - Consistent well enforced legal code
 - Reforms were incremental

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Case study – New Zealand

- **Developing countries focus on pre-conditions**
 - Build up a skilled civil service, including management capacity
 - Establish basic approaches to public management including input control and internal controls
 - Budget credibility
 - Establish external controls including financial management

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Case study – Thailand

- **Transition from highly centralised line-item budgeting focused on input control to performance oriented focusing on outputs and managerial flexibility**
 - Triggered by the 1997 Asian crisis – need for improved results
- **Reform took place in two phases**
- **Phase I (1997 – 2000)**
 - PB only offered to agencies that met core financial management standards in seven areas, among which
 - Budget planning
 - Output costing
 - Financial and performance reporting
 - Budget and fund controls
 - Internal audit

**BUT no timeframe agreed, no technical assistance provided
=> almost no agency qualified => reform stalled**

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Case study – Thailand

- **Phase II (start 2001)**
 - New government requires all agencies to move towards the Strategic Performance Budgeting System
 - Operating expenditures are merged into two categories: salaries and all other operating expenditures
- **Assessment**
 - Reform seen as too ambitious with agencies not up to the task
 - Strict expenditure line-item input control remains largely intact
 - Focus of PB is largely on budget preparation
 - Budgets are prepared in two formats: performance and results oriented and input based
 - Many ministries formulate budgets based on inputs, and translate them into outputs and outcome format

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Case study – UK

- **2004 new GP contract based on Quality and Outcomes Framework programme**
- **GPs are rewarded for meeting targets measured by 150 indicators**
 - Each indicators has points attached to it / a maximum of 1050 points can be earned / a maximum of 20% GP income can be achieved
- **Target indicators**
 - Clinical areas
 - Coronary heart disease, stroke and transient ischaemic attack, hypertension, diabetes
 - Organisational areas
 - Records and information about patients, communication with patients, education and training, practice and medicine management
 - Patient experience
 - Additional services such as cervical screening

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Case study – UK

- **Assessment**
 - Increase of staff, electronic medical records, chronic disease clinics
 - Very high achievements in all areas for first three years (>95%)
 - GPs concerned about focus on biomedical targets
 - Attribution issues for quality of care

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Case study – India

- **2005 Janani Suraksha Yojana (JSY) financial assistance to poor women for institutional delivery and post delivery care**
- **Type of performance based financing**
 - Mixed demand and supply-side incentives
- **Target group**
 - Poor pregnant women in low performing states
 - 2005: 700,000 beneficiaries / 2011: 10,000,000 beneficiaries
- **Payment rules and mechanism**
 - Pregnant women receive payments in one instalment at discharge
 - Community health worker receives voucher if accompanies women to health centre and stays till after delivery
- **Assessment**
 - Increase in institutional deliveries
 - Increase in ante-natal care
 - Need to improve targeting / Need to improve quality of care

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Case study – Nepal

- **Are there performance based budgeting initiatives currently in place in Nepal?**
- **If so, which are they?**

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Impact of performance based budgeting

- **Presumed effects of OBB**
 - Improved allocative and operational efficiency
 - Better informed budgetary decision making
 - Higher transparency and accountability
=> difficult to measure
- **Evidence for government-wide OBB**
 - Little hard evidence / mostly qualitative evidence
 - Empirical focus mainly OECD
 - Mixed results
 - Picture emerging: hypothesis is not rejected that if investments are made in OBB infrastructure it can enhance allocative and operational efficiency
- **Evidence for sector specific OBB**
 - More empirical research and evidence available
 - Impact depends on mechanism and context
 - Case-based hospital payment
 - Performance based financing / P4P
 - Issues of attribution of treatment effect

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Impact of performance based budgeting

- **US GASB Case Studies on the use and effect of performance based measures**

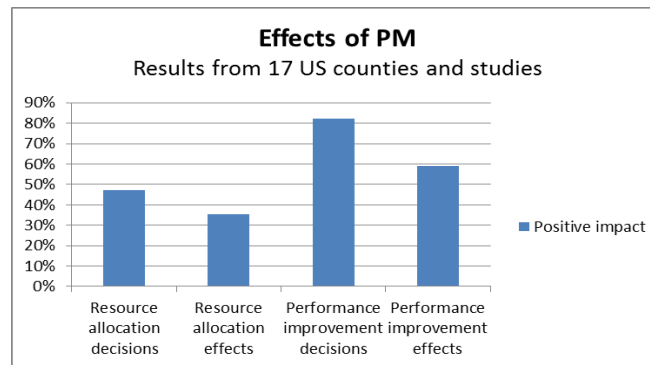
n=17	Allocative efficiency		Operational efficiency	
	Resource allocation decisions	Resource allocation effects	Performance improvement decisions	Performance improvement effects
Wisconsin	Green	Red	Green	Green
Arizona	Red	Red	Green	Green
Maine	Red	Red	Green	Green
Illinois	Red	Red	Green	Green
Iowa	Green	Green	Green	Green
Louisiana	Green	Green	Green	Yellow
Oregon	Red	Red	Green	Green
Texas	Green	Yellow	Green	Green
Austin	Green	Green	Green	Green
Multnomah	Yellow	Yellow	Green	Green
Portland	Red	Red	Green	Yellow
Tucson	Yellow	Red	Yellow	Yellow
Winston-Salem	Green	Green	Green	Green
Prince William county	Green	Green	Green	Green
Dekalb county	Yellow	Red	Green	Yellow
Sunnyvale	Green	Green	Green	Green
San Jose	Green	Red	Green	Green
Positive impact	47%	35%	82%	59%

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Impact of performance based budgeting

- **US GASB Case Studies on the use and effect of performance based measures**

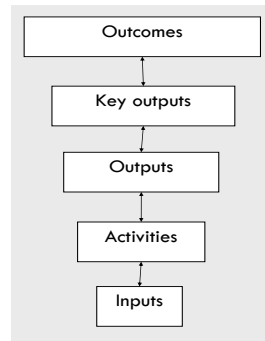


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Operational dimensions in performance based budgeting
Defining outputs and measuring performance

• **Value chain: where to focus?**



Outcomes – sector impact

Key outputs – core tangible aggregated results

Outputs – products or services delivered by projects or programmes within an organisation

Activities – undertaken by projects and programmes as reflected in annual work plan

Inputs – resources necessary to carry out activities

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Operational dimensions in performance based budgeting
Defining outputs and measuring performance

- **Performance measurement and reporting system is a necessary condition for performance based budgeting**
- **Need to focus on critical aspects of value chain / direct behaviour to achieve outcomes**
- **Challenge to move beyond outputs**
 - Outcomes are likely to be produced over a period longer than the budget year
 - Attribution of outcomes challenge
- **Definitional and measurement challenge varies over programmes**
 - Tangibles – standardised recurrent products, e.g. drugs
 - Non-tangibles – services tailored to the needs of individuals, e.g. deliveries
 - Non-tangible ideal services – less standardised / less routine services, e.g. health policy advice
 - Regulatory activities – health services inspection

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Operational dimensions in performance based budgeting
Defining outputs and measuring performance

- **Need a basket of measures to assess public service delivery**
 - Inputs
 - Quantity of good and services produced
 - Quality of services produced
 - Timeliness
 - Accessibility
 - Accuracy
 - Client satisfaction
 - Outcomes
- **SMART indicators**
 - Specific – indicator is clear in relation to programme targets
 - Measurable – indicator can be used to measure progress
 - Achievable – indicator is realistic and can be achieved
 - Relevant – indicator is valid and meaningful
 - Time-bound – limit to the period within which the indicator is realized

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Operational dimensions in performance based budgeting
Accounting and costing

- **Once performance dimensions are determined, need to cost the programme**
 - Direct and indirect costs to produce 'output'
- **OECD – shift from cash accounting to accruals budgeting and accounting**
 - Cash accounting: registration when cash movement takes place
 - Accruals accounting: revenues and expenditure are recorded when they are incurred
 - Accruals budgeting

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Operational dimensions in performance based budgeting
Output-focused performance management

- **Performance management = prerequisite to performance budgeting**
- **Two models of performance management: contract and management (model)**
 - Same objective: give public managers the flexibility they need to improve performance

	Contract model	Management model
Strategy	Market-like arrangements	Norms and competence
Mechanism	Contract	Empowerment
Characteristics	Uses specific, tight performance contracts leaving little room for trust Motivates improvements with extrinsic rewards	Implicitly trusts public managers to exercise their judgment Motivates primarily by the intrinsic rewards of public services
Example	New Zealand	Australia, Sweden

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Operational dimensions in performance based budgeting
Output-focused performance management

- **Essential to relax central input controls**
 - Consolidate of various budget lines into a single appropriation for all operating costs (salaries, supplies, travel, etc)
 - Relax a variety of central management rules that inhibit managerial flexibility, particularly in HR management
- **Examples of increased management flexibility**
 - Ability of departments to carry-forward unspent running costs (Australia)
 - Incentives for departments generating income and retaining surpluses by making resource agreements with the MOF (Australia)
 - Use of block appropriations covering both salaries and running costs (Denmark)
- **Often continued rigidity of ministries of finance and human resource departments in OECD**

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Operational dimensions in performance based budgeting

Approaches to implementation

- **Government-wide versus sector specific**
- **Top-down versus bottom-up**
 - Top-down
 - central government agencies play primary role in developing, implementing and monitoring the reform
 - Bottom-up
 - Sector agencies play primary role
 - Choose whether take part in centrally driven reform
 - Develop their own performance oriented approaches
 - Too little central involvement ⇔ too much central involvement
- **Big-bang versus incremental**
 - Varying experiences in OECD countries
 - Australia incremental approach over 15 years
 - Korea four major fiscal reforms in short period
 - Advantage: reduces resistance / creates pressure to deliver
 - Conditions: high level of political will and resources
 - Risks: no learning curve

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Questions for OBB in Nepal

- **What are the Nepalese experiences in OBB? Achievements and lessons learned**
- **Which forms of OBB could be introduced, both at sector and sub-sector level? Can we define a number of coherent outputs and programmes?**
- **Do we have the accounting mechanisms to cost OBB outputs and programmes? What are the changes we have to make to existing systems? Which systems do we have to build?**
- **Do we have the management information systems to collect data and information to produce the performance measurement indicators we need for OBB? What are the changes we have to make to existing systems? Which systems do we have to build?**
- **Which ministry should drive an OBB process in health? Should we opt for a step-by-step process or rather go for a big-bang?**
- **What are the most important capacity issues associated with introducing OBB in the health sector? How can these be addressed?**

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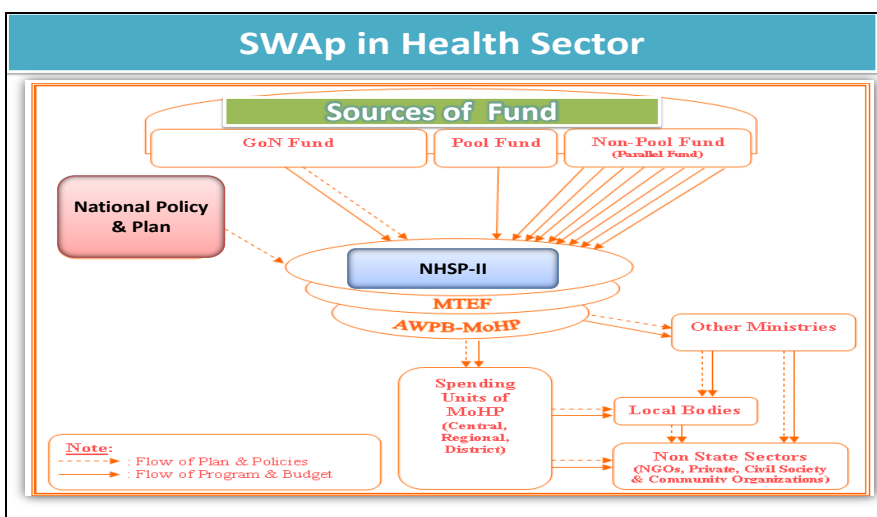


Annual Work Plan and Budgeting (AWPB) of MoHP

**Dr. Bal Krishna Suvedi,
Chief- PPICD**

Sector Wide Approach (SWAp) in Nepal

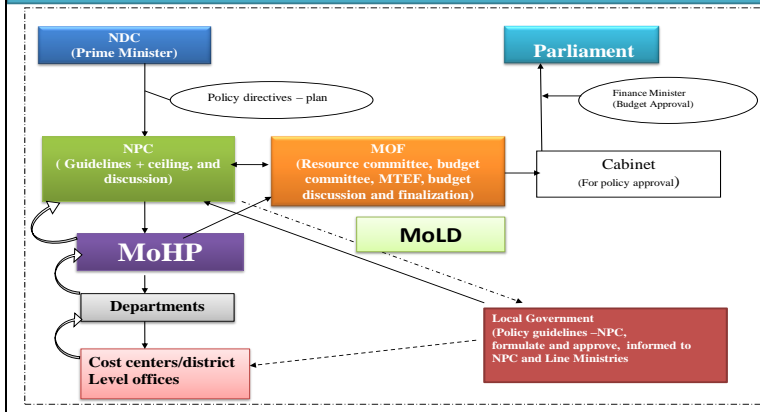
-  **Sector wide approach (SWAp) is initiated for two sectors, Education and Health from FY 2004/05. GoN developed NHSP-IP I (04-09) and II (10-15) under the leadership of MoHP**
-  **Agreed aid flow models in the NHSP II are pool and direct funding both reflecting either in Red or in Blue Book**
-  **Reimbursement, pre-funding, direct payment (Cash/Kinds) & TA are the accepted mechanism of fund flow**



Mode of Funding for External Assistance

1. Red Book
 - a. Published by MoF including line items
 - b. AWPB published by NPC with brief description of programs including budgets, priorities & strategic indicators
2. White Book (Source Book) published by MoF with details of EDP's contribution reflected including GoN source in Red Book
3. Blue Book Published by MoF with description of technical and other assistance including INGOs showing programs category and currencies
4. Yellow Book published by MoF includes sources of **Public Undertakings**

AWPB: Process



AWPB: Planning Process

- MoHP receives guideline including budget ceiling from NPC- **End of Magh**
- Inline with NPC's total ceiling MoHP prepares a guideline and programme wise budget ceiling – **1st week of Falgun**
- Distribute the guideline and budget ceilings to departments, divisions, centers, autonomous bodies and hospitals- **1st week of Falgun**
- Departments coordinate the planning process and organize the discussions within divisions/centers and with EDPs - **3rd week of Falgun**
- Departments send the complied planning document to MoHP- **4th week of Falgun**

AWPB: Planning Process

- MoHP compiles the planned activities and organize the discussions by each programme- *1st & 2nd week of Chaitra*
- Re-submission of planned activities to MoHP- *2nd week of Chaitra*
- MoHP organizes discussions with EDPs- *2nd week of Chaitra*
- MoHP submits complied AWPB to NPC and **MoF**- *4th week of Chaitra*
- MoHP participates in the discussions organize by NPC- *1st week of Baisakh*
- MoHP participates in the discussions organize by MoF- *2nd week of Baisakh*
- Budget finalization

AWPB- Implementation Process

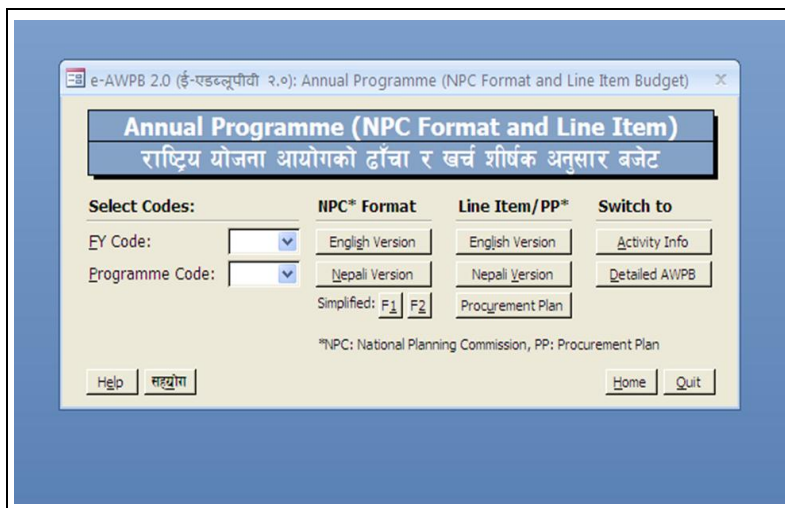
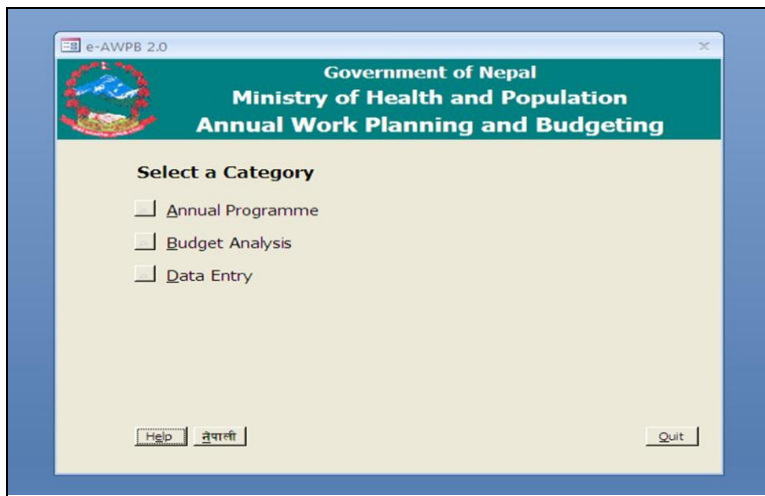
- Budget speech by finance minister and Red Book publication
- MoHP provides budget authorization to respective departments, centers, divisions, hospitals and autonomous bodies
- MoHP receives the final programmes for approval from respective departments, centers, divisions, hospitals and autonomous bodies
- MoHP sends request for the priority one programmes to NPC

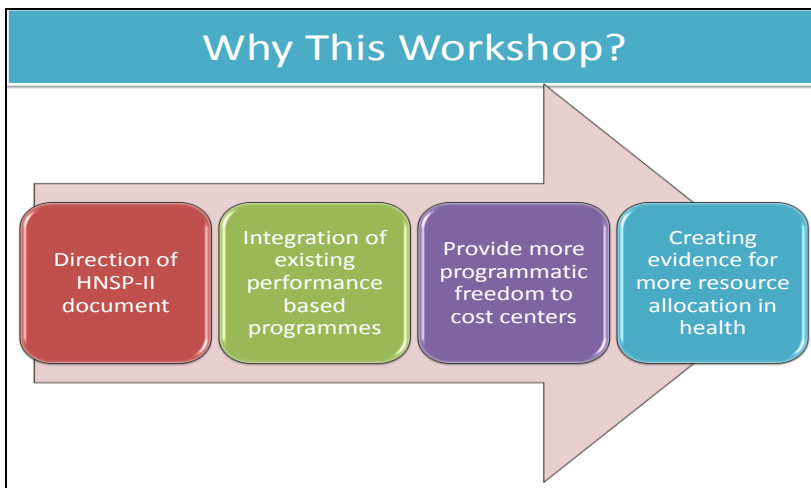
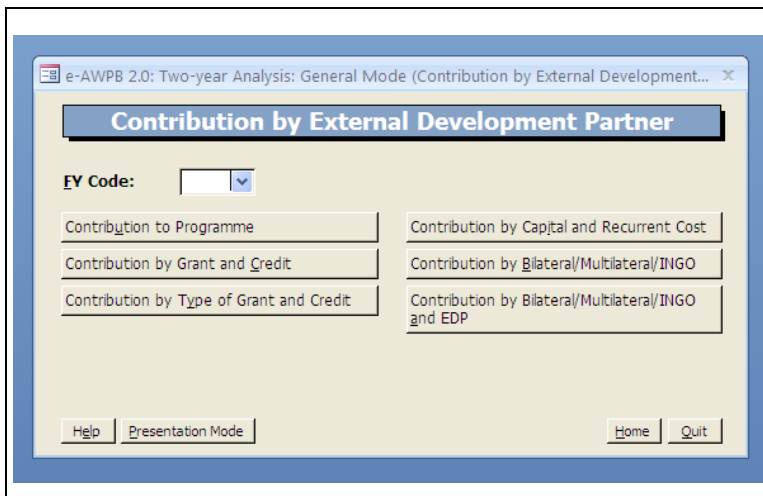
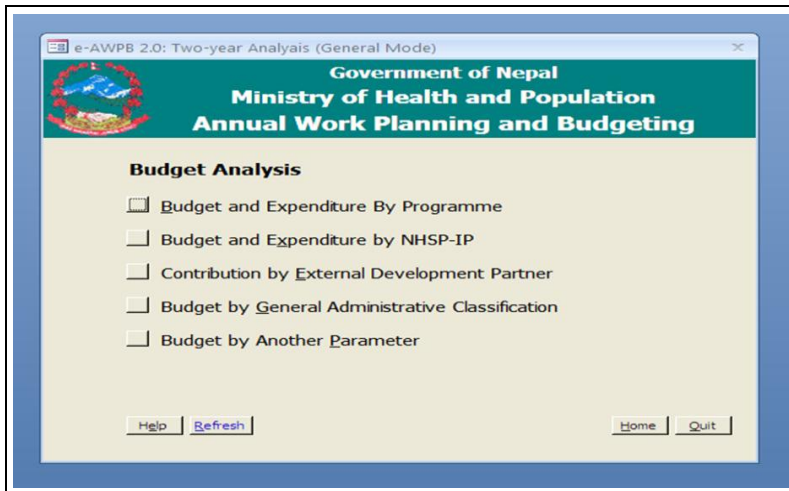
AWPB- Implementation Process

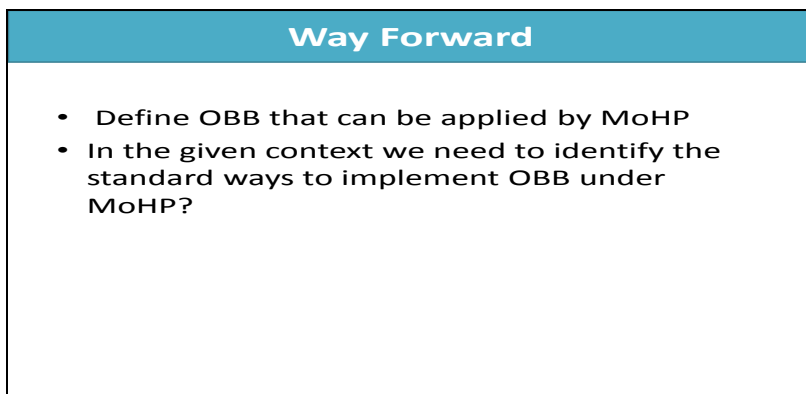
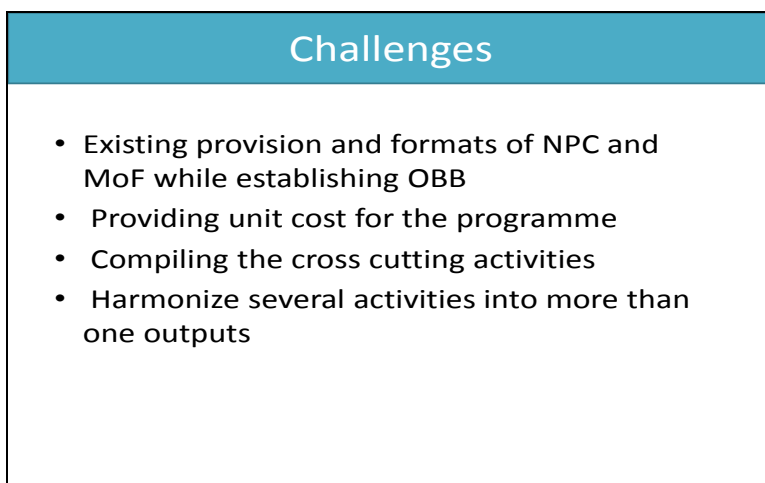
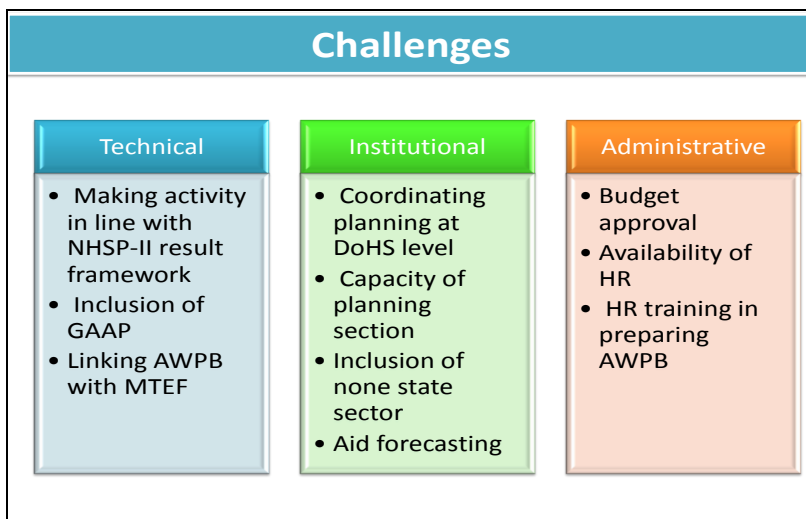
- MoHP approves the P2 and P3 programmes
- MoHP receives the cost center wise programme from respective departments, centers and divisions
- MoHP approves the cost center wise programme
- Respective departments, centers and divisions distribute the programmes and budget authorization to cost centers

Existing eAWPB

- Prepared the web based eAWPB
- Provided orientation to respective departments, centers, division, hospitals and autonomous bodies
- Respective departments, centers, division, hospitals and autonomous bodies can now enter the activities with budget from their offices
- MoHP/PPICD compiles entered activities and budget
- MoHP analyzes the activities and budget







Nepal's Experience on Output Based Budgeting

Dhruba Prasad Dahal

Outline of the presentation

- Introduction
- Comparative Budgetary Framework
- OBB and Managing for Development Results
- Business Plan
- Budgetary history of Nepal
- Budgetary innovation towards OBB and RBB
- Issues and Challenges
- Way forward

Introduction

- **Output based budgeting is a wide ranging management technique introduced into the US in the mid 1960s**
- **During the 1990s, the nature of general and financial management practices within the public sectors of many jurisdictions underwent significant change.**
- **The basic idea is that government agencies are funded on the basis of delivery of planned and actual outputs and outcomes.**
- **In theory the traditional budgeting process based around a rationing of inputs is reversed. The key question is what will be produced by each agency rather than what should its expenditure be.**
- **Each output is then costed and the budget allocation for the agency is the quantity of outputs to be delivered multiplied by the price payable per unit in OBB system. (Carlin 2006)**

Introduction

- Result Based Budgeting requires a number of preconditions for success including:
 - 1) Appropriate measurable outcomes
 - 2) Appropriate defined outputs
 - 3) Appropriate performance indicators
- Outcomes in many circumstances are qualitative and hence difficult to measure.
- Furthermore outcomes and outputs may be achieved by the interaction of two or more agencies and it becomes difficult to assess the contributions of each agency towards the output.

Comparative budgetary framework

I. Traditional Budgeting:

- Inputs
- Activities
- Outputs

II. Result Based Budgeting:

- Inputs
- Activities
- Outputs
- Expected Accomplishments
- Indicators of Achievements
- Contributing to Mission Objectives

OBB and Managing for Development Results

- MfDR concept emerged as a tool for linking outcome and output with inputs and activities thereby improving the effectiveness of resources spent.
- **At the Paris High-Level Forum on Aid Effectiveness (2005), donor agencies and partner countries committed to specific action for country ownership, harmonization, and mutual accountability for the use of aid.**

Concept of MfDR

- MfDR is (i) management approach and (ii) a set of tools for strategic planning, monitoring and evaluating performance, reporting and feedback.
- It is a management strategy that focuses on using performance information to improve decision making.
- It involves strategic planning, risk management, progress monitoring, and outcome evaluation.

Five Principles of MfDR

1. **Focusing the dialogue on results at all phases of the development process**
- Ensuring outcome and output at all phases of development process.
2. **Aligning programming, monitoring, and evaluation with result**
- Implementation strategies design to support outcome and output.
3. **Keeping measurement and reporting simple**
- Designing simple indicators to measure outcome, enhance data base and practice simple formats for regular reporting.
4. **Managing for, not by, results**
- Expected outcome and output determining activities and inputs , reversing the conventional trend of determining outcome based on inputs.
5. **Using results information for learning and decision making**

MfDR Cycle



Business Plan

What is Business Plan?

- ❖ The business plan is a rolling plan usually in three years perspective which emphasizes on themes .
- ❖ It needs essentially to be linked with the sectoral results frameworks of development plans and development priority of the government.
- ❖ It should contain vision, mission and strategies of the sector.
- ❖ It includes result based targets and indicators to facilitate result based monitoring on annual basis.
- ❖ Customary , it identifies three- years core business and outcomes along with the annual business and outcome of the first year of the plan period

Indicative contents of Business Plan

- Development Context and Background
- Sectors vision and goals, objectives and priorities
- Major problems, challenges and opportunities
- Key objectives and Expected Outcomes (for business plan period)
- Quantitative Targets (three years perspective)
- Strategies, Policies and Actions to Achieve Key Objectives/Targets
- Core programs to achieve objectives and quantitative targets
- Result matrix (with all the essential components)
- Budget Allocation
- Institutional Development
- Monitoring and Evaluation
- Critical factors for successful implementation

Why a Business Plan?

- To ensure the conformity with the sectoral/ objectives,. Strategies, policies and plans (periodic/ perspective)
- To define the core business activities in line with the sectoral/organizational mandate, objectives and purposes
- To link the core business activities with the budget and other resource requirements
- To specify the monitoring and evaluation arrangements
- To measure the efficiency of the program implementation and achievement of results
- To identify the critical factors for success of the program implementation

Budgetary History of Nepal

- Budgetary system introduced in 1956 (2008 BS),
- Budget expenditures classified into regular and development in 1956,
- Adoption of budgetary classification by object (line item classification) from the very beginning,
- Functional classification introduced in 1962,
- Budgetary expenditures further classified into Development and Regular expenditure and Programme budget introduced for development expenditures during 60s,

Budgetary Innovations towards OBB and RBB in Nepal

- MTEF initiated during Tenth Plan (FY 2002/03) supplemented by prioritization of the projects (P1-P3),
- System of classifying the budget into regular and capital changed into the recurrent and capital in FY 2004/05,
- SWAP introduced in selected sectors since FY 2004/05,
- Immediate Action Plan (IAP) introduced and monitored
- Performance based release system introduced
- Extensive use of Log Frame for prioritized projects

Budgetary Innovations towards

- MfDR concept introduced in selected ministries in pilot basis in 2007 created awareness
- In Fy 2009/2010 business plan prepared for 13 Government Institutions in MfDR concept
- In the same year RBB system introduced in 2 Government agencies
- RBME Guidelines and DPMAS Guidelines is implemented
- In current TYP period MfDR concept will introduced in more development oriented government agencies

Budgetary Innovations towards.....

- **Mandatory provision of procurement plan for development activities**
- **Mandatory provision of monitoring plan**
- **Provision of independent evaluation of selected program /projects**
- **Special monitoring mechanism for highly prioritize projects**
- **Improvement of budget classification according to GFS manual 2001**

Budgetary Innovations towards RBB ...

- **At the local level DDC has to prepare periodic plan using log frame, result matrix and monitoring plan**
- **DPMAS introduced and updated**
- **DIDC established**
- **Performance based grant system introduced**
- **Procurement plan for development activities**
- **Introduced public audit and social audit system**

Issues and Challenges

- **OBB is challenging and resource intensive task.**
- **Multiple components and multilateral staging with dependent and mutually reinforcing elements**
- **Legal and institutional environment**
- **Political ownership and support**
- **Well designed cultural change environment**
- **Adequate technical resources(IT)**
- **Capacity to implement**
- **Solid PFM system**

Issues and Challenges

- **Input focused existing line item system**
- **Question in the ownership of the program in implementation**
- **Lack of performance based incentive system**
- **Meaning less work plan**
- **Week implementation of MTEF**
- **Linkage of program/ projects with PMAS and DPMAS**

Way forward

- Continuation of budgetary reform process
- Budget coding fully compatible according to Government Finance Statistics (GFS)Manual
- Needs to institutionalized MfDR concept
- TYP commitment to expand and cascade MfDR concept needs to be implemented
- Implementation of MTEF

Way forward

- Development of planning ,budgeting and M&E software
- Implementation of RBME system
- Performance contract system with Project Manager
- Effective monitoring mechanism within the organization

In Conclusion

- ❑ Country do not have the luxury of time in an increasingly globalised world
- ❑ Challenge of declining resources and increasing demands
- ❑ Need systematic planning, implementation and results management at all levels
- ❑ Adopt an integrated approach to development and results management in government
- ❑ For OBB, Managing for Development Results requires an integrated approach

At the end

“Let managers manage” and held them accountable for their performance.

