

## **FOREWORD**

On February 28, 2005, in the Budget Speech, I said:

*“I must caution that outlays do not necessarily mean outcomes. The people of the country are concerned with the outcomes.”*

I promised to put in place, together with the Planning Commission, a mechanism to measure the development outcomes of all major programmes. Subsequently, the Prime Minister, by his letter dated March 17, 2005 to all Union Ministers, stressed upon the importance of converting financial outlays into physical outcomes, with fixed quarterly measurable and monitorable targets, to improve the quality of implementation of developmental programmes. All the Ministries/Departments were accordingly requested to carry out this exercise, in respect of their respective developmental programmes/schemes.

Responding to the Prime Minister’s directive, Ministries/Departments have attempted this exercise, and worked out the targets of intermediate outputs/outcomes, in respect of the Plan programmes/schemes being implemented by them. These data have been analysed by the Planning Commission and the Ministry of Finance, Department of Expenditure, and compiled in this document.

Converting outlays into outcomes is a complex process, which differs from Ministry to Ministry and programme to programme. Some of the important steps in this conversion process are as follows:-

- Outcomes to be specifically defined in measurable and monitorable terms; intermediate outputs should also be defined wherever required.
- Standardising unit cost of delivery.
- Benchmarking the standards/quality of outcomes and services.
- Capacity building for requisite efficiency at all levels, in terms of equipment, technology, knowledge and skills.

- Ensuring flow of right amount of money at the right time to the right level, with neither delay nor “parking” of funds.
- Effective monitoring and evaluation systems.
- Involvement of the community/target groups/recipients of the service , with easy access and feedback systems.

Efficient conversion of outlays into outcomes would, therefore, require making the delivery systems effective with appropriate structures and processes, strengthening financial management systems, increasing use of information technology, and meaningful involvement of all the Ministries, Para -statal, State Governments, Local Bodies, Panchayat Raj Institutions, Self Help Groups etc., in critical decision making and implementation processes.

Administrative Ministries have to play a crucial role in defining and delivering their intended outcomes, with a strong sense of ownership. This sense of ownership, in turn, would need to be shared down the line upto the cutting edge levels, through effective communication. It is in this spirit that the outcomes identified and targets set by the Ministries/Departments for themselves have been compiled in this volume by the Planning Commission and the Ministry of Finance, Department of Expenditure. While the degree of detailing has varied across the Ministries, during the exercise on the subsequent occasions, an element of broad uniformity would be sought to be introduced by the Planning Commission and the Ministry of Finance. This is an important milestone towards preparation of the kind of ‘outcome budget’ the Budget Speech and the Prime Minister had envisaged. Appropriate monitoring and evaluation mechanisms would be put in place in due course. Initially, the focus of evaluation would be the flagship programmes and schemes of this Government, namely, ‘Sarva Shiksha Abhiyan’, Food for Work (that will be converted into the National Rural Employment Guarantee Programme), Mid-Day Meal, Integrated Child Development, National Highways and the components of ‘Bharat Nirman’.

This exercise has been taken up only for the Plan Expenditure at this stage. From the next year, ‘outcome budget’ will be prepared for the Non-Plan expenditure too. Over a period of time, the ‘outcome budget’ is expected to reflect the ‘annual budget’ in terms of intended

outcomes, with the above-mentioned steps becoming integral to the budgetary process. It is important to put the 'outcome budget' in the public domain at each stage of its evolution, in order to enable all stake holders, including the peoples' representatives, civil society and the intended beneficiaries of the schemes/projects, to offer their suggestions to improve and strengthen the approach suggested through this document.

In brief, the 'outcome budget' would be a pre-expenditure instrument to help realize the Ministries' vision through clearly defined outputs/outcomes, as a supplement to the current system built around post-expenditure scrutiny. It will also further strengthen the citizens' Right to Information, by putting crucial data and information on expected outcomes in the public domain, public scrutiny of which will help ensure value for money. It needs to be recognized that development and implementation of the 'outcome budget' would be an on-going process, regularly revisited for reality check, and the structure now being put in place would be further honed and refined.

We have greatly benefited from the valuable advice and suggestions given on the subject by the Hon'ble Members of the Consultative Committee of Parliament attached to the Ministry of Finance in the Fourth meeting of the Committee held on August 17, 2005.

The journey to reorient our budgetary objectives, and to evolve a robust 'outcome budget' amenable to easy analysis of achievements, is a long one. However, first steps are needed to commence any journey. This is the first step to move towards an outcome oriented budget, and to shift the focus from mere financial utilization to ensuring intended outcomes.

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