OUTPUT – OUTCOME FRAMEWORK: A PARADIGM SHIFT IN OUTCOMES-BASED GOVERNANCE

It was for the fourth time in a row during the Union Budget 2022-23 that the significantly evolved Outcome Budget document (Output-Outcome Framework) became a part of the budget documents tabled in the Parliament. This marks an important milestone in the paradigm shift brought about in institutionalizing outcomes-based governance in India. For the context, Outcome budget document represents a promise by the executive to the legislative in terms of the key outcomes to be achieved through the major developmental expenditure proposed to be conducted by the central government's line ministries & departments in the form of Central Sector (CS) and Centrally Sponsored schemes (CSS). This constitutes about 44% of the Central Government's expenditure budget. It lays down, in a crisp manner, for all the CS & CSS schemes with FY 2022-23 budgeted expenditure above Rs. 500 Cr. (which constitutes more than 95% of the total CS & CSS budget for the year since large number of CS & CSS schemes have budgets less than Rs. 500 Cr), clearly defined Outputs, Outcomes with their measurable indicators and targets for the financial year. The same for CS and CSS schemes with FY 22-23 budget below Rs. 500 Cr. will be presented in the Parliament along with the detailed demand for grants during the Budget session. These Outlays, Outputs and Outcomes are being presented to the Parliament in measurable terms, bringing-in greater accountability for the agencies involved in the execution of government schemes and projects. Outlay is the amount that is provided for a given scheme or project in the Budget; while Output refers to the direct and measurable product of program activities, often expressed in physical terms or units. Outcome are the collective results or qualitative improvements brought about in the delivery of these services, often expressed in terms of improvements over ex-ante or earlier indicators and benchmarks. Progress against each Output and Outcome is tracked using a measurable indicator for which targets are set in line with the allocated outlays as a part of the Budget and progress is reported subsequently during the year.

The Development Monitoring & Evaluation Office (DMEO), the apex monitoring and evaluation agency in India and an attached office of NITI Aayog, in partnership with the Department of Expenditure, Ministry of Finance has been working since the last four years now to institutionalize the Output-Outcome Monitoring Framework (through the Outcome Budget) in the government. Towards this, a centralized online dashboard has been developed wherein as a follow-up to the tabling of the Outcome Budget document, beginning the next financial year, targets set in the Outcome Budget are uploaded and progress against it is reported by the corresponding 67 central ministries & departments. This dashboard has been designed to track progress against about 5000 output and outcome indicators. Thus, the rich set of information so collated over the years, going forward, will be an immensely useful resource with multi-dimensional applications and benefits.

Outcome Budget – A historical perspective

But before delving deeper into the possibilities unlocked due to this transformational reform, a brief historical context of the same merits our attention. So, it was in the fifties that the first set of discussions started on the performance budget movement. In its twentieth report (Lok sabha Estimates Committee, 1958), the Estimates Committee recommended: "Performance-cum-programme system of budgeting would be ideal for a proper appreciation and the scheme of outlays included in the budget especially in the case of large-scale developmental activities." In its 73rd report in 1960, the estimates committee re emphasized the same recommendations. But it took eight years before the first performance budget was introduced in four central ministries in 1968. By 1977-78, about 32 developmental departments in the Central Government had introduced performance budgeting in their selected units (Laxmikanth, 2011). These documents primarily depicted the functions, programmes and activities of the ministries/departments in relation to budget allocations expressed in terms of physical and financial targets and achievements. This was a critical step forward to visualize the public expenditure in the form of physical activities of the government. However, it was primarily limited to outputs of the development programmes, i.e., performance on physical targets for previous years and targets for the next year and not what those activities were intended to achieve, i.e., the outcomes or intended results of those programmes.

The first step towards 'Outcomes-based governance' was taken when in 2005-06, "Outcome Budget" was presented in the Parliament for the first time (Department of Expenditure, Ministry of Finance, n.d.). It covered only Plan outlays and non-Plan schemes were added later in 2006-07. After a year of parallel co-existence, finally, in 2007-08, Performance Budget and Outcome Budget were combined into a single document.

These documents continued to be incremental improvements over the performance budget since the focus still hadn't shifted to measuring outcomes through quantifiable indicators. Hence, there were no ongoing concurrent mechanisms to assess whether or not and how much were these development programmes serving their stated objectives. Impact assessment studies were generally conducted over medium term, i.e., three to five-year horizon and so, mechanisms for ongoing course corrections in scheme implementation through tracking of the schemes' performance on intended objectives were lacking. In parallel, since 2009-10, the Results Framework Document (RFD) were being prepared by the Central ministries which contained the agreed objectives, policies, programmes and projects, along with success indicators and targets to measure progress in implementing them (Department of Consumer Affairs, 2018). It began under the supervision of the Cabinet Secretariat and full-fledged evaluation through RFD started in the year 2010-11. But these too were prepared at the ministry/department level without delving deeper into how their various developmental schemes, the most-critical unit of governance, were ultimately performing. It is only since 2019-20, through the Output-Outcome Monitoring Framework (OOMF) that a robust institutional mechanism to track the outcomes of every rupee of developmental expenditure of the Government of India at such granularity has been implemented.

Benefits of Outcomes-based Governance Architecture

Tracking of outcomes is critical from multiple perspectives. From the view point of the Ministry of Finance, it enables them to track schemes' performance on their end objectives helping them identify the non-performing ones from the performing ones, thereby enabling them to create a stronger and leaner portfolio of schemes by scaling down the non-performing ones and augmenting the performing ones with more financial resources year by year. Essentially, over the years, it has helped embed efficiency in public finance management through evidence-based policymaking. Additionally, from the perspective of the implementing agencies, the dashboard for output and outcome monitoring has enabled respective scheme division heads to concurrently keep a track of their schemes' performance during implementation and undertake timely course corrections.

More recently, last year, OOMF was embedded within the Government of India's standard template for proposing new schemes, i.e., the template to be used for Expenditure Finance Committee or Standing Finance Committee proposal format. Through this measure, it has now been ensured that in addition to the retrofitted OOMF in all existing programs, all new schemes within the Government of India will have clear targets promised over the entire scheme duration on measurable outcome indicators right from their design stage, thereby ensuring quality-at-entry.

Moreover, with progress data on outcomes of all CS and CSS schemes eventually available on a centralized data repository enabled through OOMF over the entire scheme durations, it has created a unique platform for objective financial and policy decision-making within the Government. Members of the NITI Aayog and representative of the Ministry of Finance now undertake periodic joint performance reviews using OOMF, and the insights therefrom are looped back into annual budget related decision-making as well as long-term decisions like scheme continuity or closure. Additionally, by building a standard language for communicating performance, OOMF has significantly improved the ability of the heads (Secretaries) of the Ministries/Departments as well as the Ministers to objectively review the performance of their respective programmes.

Most critically, by involving thousands of officials across the Central government in the framing and implementation of the OOMF architecture, the exercise has brought in a fundamental shift in the mindset of the bureaucracy by reorienting it from physical and financial progress-driven accountability to a more holistic responsibility of ensuring end outcomes for the beneficiaries. Notwithstanding the limitations in their ability to adhere to the OOMF in its entirety given the constraints of weak on-ground outcomes' data architecture, the widespread agreement on the intent of OOMF and its relevance stands as a testimony to this ground-breaking paradigm shift.

Way Forward

Going forward, it is envisioned that by aligning the individual scheme-level OOMF-based performance with the 169 targets under the 17 Sustainable Development Goals (SDGs), OOMF will provide greater maneuverability to the decision-makers to steer effectively and efficiently towards SDG 2030 goals by clearly attributing national goals to their individual instruments, i.e., the CS/CSS schemes.

Also, in terms of upward integration, by adding a layer of well-defined, measurable, Ministry/Department-level goals, a comprehensive three-layered monitoring system, i.e., scheme-level OOMF, Ministry-level goals, and then National goals/SDGs, can be institutionalized within the Central Government. It is equally important that the present OOMF tabled in the Parliament is significantly re-structured to reflect the cumulative progress every program has made against its long-term targets, and its corresponding contributions as observed in the achievement of ministerial goals and SDGs.

On the other hand, a focused effort in terms of entrenching standardized, co-operatively agreed upon, OOMF across all the State governments, including their State government schemes can pave the way for an unprecedented era of data-driven governance, transparency and accountability. This would go a long way in resolving the current issue of varying quality and quantity of the means of measurements for the various OOMF performance indicators across States. Consequently, like it happened within the Central government, States' adopting OOMF can add significant structure to the Centre-State conversations by acting as a common language. Eventually, this can pave the way for building the next generation Outcomes' monitoring data architecture in the country and by democratization of this data in the hands of the implementors and field functionaries, the transformative change in the mindset would percolate down to the last mile service provider.

Essentially, the dream of an integrated outcomes-based governance architecture would only come true when every field functionary can use performance data to better relate and map the change they have brought in the lives of their fellow citizens and OOMF can play a critical role in this data democratization in the times to come.■

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