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From the ringside

### **Bridging the gap between outlays and outcomes**

Last week, P Chidambaram presented to the Parliament the “Outlays and Outcomes Budget — Towards Achieving Better Results”. He described it as “historic”, fulfilling a Budget commitment made at the instance of the Prime Minister. At a time when public outlays increase rapidly, there is understandable concern on how well the money is spent and whether the desired objectives are met. For instance, an average man is not particularly enamored about enhanced outlays for Power or Education unless this translates into easier and more affordable power or better schools in his neighbourhood.

Outlays generally are perceived as meaningless statistics. This 700-page mammoth document now compiles expenditure outlays, the physical targets, deliverable outcomes and their time frame for implementation. Actually this data was available all the time, because that is how the expenditure outlays are normally approved. Their presentation in a single document to Parliament enhances accountability and implementation obligation. Coupled with Citizens Charter and the Right to Information Act it empowers beneficiaries to agitate for improved delivery systems.

Nonetheless, this initial exercise only leaves many issues unresolved:

First and foremost, the issue of intuitional coherence. The Ministry of Statistics and Programme Implementation came into effect on 9.4.1999 by merging the Department of Statistics and Programme Implementation. They were more or less expected to do what Chidambaram has now presented to Parliament. Their 20-Point Programme Division (in operation since April 1, 1986) was to “monitor schemes relating to poverty alleviation, employment generation, health and education and report on quality of life specially those below the poverty line”. The Infrastructure Division was “to monitor infrastructure projects in Coal, Power, Steel, Railways, Telecom, Civil Aviation and Roads and to compile monthly data on the progress”. The Project Monitoring Division was “to monitor all central outlays above 20 crores and to examine time and cost overruns as well as identify bottlenecks”. Unfortunately, the department became a dumping ground of unwanted officials. Its monthly reports were shoddy and were either not read or failed to influence any policy-worthy. Their “Flash Reports” were meaningless statistics; no one was moved, much less motivated to act.

Recently, a new entity called the “Programme Outcome and Response Monitoring Division” (PO&RM) has been created in the Planning Commission to inter alia, “identify deficiencies, to collect, collate and analyse relevant data for outcome monitoring”. This division, headed by Nandini Azad, brings rich NGO experience and has got off to a credible start earning the appreciation of the Prime Minister. The Programme Implementation Department should be merged with this division and assigned an independent status to ensure neutrality, reporting their findings to the Prime Minister.

Data collection from multiple agencies including government, both central and the States, their statistical offices, target beneficiaries and civil society must be politically neutral, credible, and efficacious in cost. Developing non-adversarial lines of communication with multiple agencies need imagination and trust.

Second, developing a methodology of programme evaluation is complex. Earlier efforts at “performance budgeting” where annual outlays are conditional on earlier performance remained unsuccessful. “Causal effects” of “conditions before” and “after the programme” are often not easy to establish. International initiatives like the World Bank’s statistical capacity building projects and the formation of inter-agency organisations like PARIS21 have multiple lessons for us.

Third, monitoring outcomes raise conceptually difficult issues. The co-relation between outlay and physical activity is more straightforward and Chidambaram’s outcome budget document can be a guide. However, auditing outcomes by a central organisation can be either through what is called “police patrol” method in the literature on bureaucracy or via a public oversight called “fire alarm”.

Police patrol means that the auditor keeps an eye on things that go wrong and verify money has been spent, while the fire alarm requires certification on implementation to meet beneficiaries’ expectations. Beneficiaries can raise a fire alarm if the programme has either failed or has failed to benefit them. The fire alarm then needs to be heard. Is the Nandini Azad monitoring unit going to be a police patrol or a fire alarm? The Department of Expenditure remains responsible for performance budgeting and what is crucial approving budget outlays. The role of the Comptroller and Auditor General which is confined to ex-post expenditure audit and evaluation also needs to be meshed in any new institutional structure.

Fourth, the issue of how effective is the programme is a much harder question. It is hard to draw inferences about whether something worked by comparison to before and after. Drawing causal conclusions like whether food subsidies reduced malnutrition or Parent Oversight Boards improved village schools through higher attendance, better teacher attendance and that the programme made the decisive difference remain problematic. The process of “before and after comparison” should ensure that the selection of the group for evaluation is truly random, “a cross-section over a rolling schedule” and is not designed to any desired evaluation outcome.

Besides, how to assess the true value of goods and services and true cost of inputs sometimes raise issues of Shadow Pricing. Arnold Harberger raises methodological issues like reflection of capital market distortions, use of so called “border prices” or “national prices” in putting a value on projects’ benefits and cost and how distributional weights can be used in valuing benefits and costs by different groups. Similarly, Aristides Torche describes various forms adopted for project evaluation methodology for assessing social programme benefits. The methodology used by the UNDP in their “Hand Book for Monitoring and Evaluating” results has some useful suggestions on developing baseline data for making comparisons over time and the activity schedule of the project.

Finally, determining sustainability and long-term impact is crucial for project outcomes. The post-project era must result in sustainable poverty reduction, life quality improvement and the multiplier effects through diversified economic activity resulting in durable benefits.

The current focus on programme outcomes is a starting point. It is a first step in seeking symmetry between outlays, financial expenditure and physical activity. Assigning accountability for outcomes has proved elusive. Pre-historic approaches cannot result in historic outcomes! Evaluation outlays must resolve issues of institutional coherence, credibility of data collection and evolving acceptable methodologies to evaluate project outcomes and their long-term impact on intended beneficiaries. It will be a learning curve. Bridging the chasm between outcome and outlay is a daunting challenge. Chidambaram has made a credible beginning.

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