Results-Based Budgeting: Achieving Effective and Efficient Public Service

SYNOPSIS

Over the last decade, the World Bank has helped countries move toward results based budgeting (RBB) in around 50 countries as a means to improve the efficiency and effectiveness of public services. RBB strives to shift budget management from inputs to tangible outputs and outcomes associated with public policy objectives. RBB assists in the management of scarce public resources – leading to efficiency gains and better service delivery outcomes in areas such as health and education.

Challenge

Budgeting for and by results depends on the collection and integration of performance information at various points in the budget cycle. Progress in changing traditional budget classifications and developing appropriate mechanisms for linking the budget with results reflects individual country capacity to document and analyze performance information, institutional dynamics, the regulatory environment, and particularly, managerial leadership and commitment. While countries vary in their objectives for pursuing RBB, many face similar challenges such as: (a) an ‘overload’ associated with the collection of too much performance information, (b) the high costs of generating and processing budgetary (and non-budgetary) information, (c) critical gaps in data collection and analysis, (d) the use of performance information in decision-making, and (e) information asymmetries that exist between actors at different levels in the public sector.

Approach

As countries have adopted an RBB approach, others have been eager to follow suit. The World Bank has been active in facilitating this information exchange. The first programs in RBB began in the late 1990s primarily through technical advice as components of broader public financial management reforms. The Bank engages in policy dialogue, studies, and investment lending, while also supporting the exchange of information and experience among numerous developing countries. Helping with the reclassification of budgets, strengthening the collection of performance information and management information systems, the World Bank has helped countries to better track program outputs, and sometimes outcomes, while also identifying areas to improve cost effectiveness. Multiple studies and reports have been produced on RBB and the peer-to-peer exchange of knowledge and information to support the design and implementation of RBB through high level conferences continues to be a major focus.

Results

IDA assistance has been concentrated in the Africa, Europe and Central Asia, and East Asia regions, while assistance from the International Bank for Reconstruction and Development (IBRD) for RBB has been focused in the Latin America and Caribbean, East Asia, and Europe and Central Asia regions. The following results have been achieved with both IBRD and IDA financing:

In Rwanda, IDA supported the government in the implementation of Pay-for-Performance programs,
shifting from payments based on inputs to payments based on the objective performance of health care facilities in terms of outputs and outcomes. An evaluation of the programs, published in a World Bank study entitled, “Paying Primary Health Care Centers for Performance in Rwanda” revealed that the programs led to a 21 percent increase in the utilization of a health care facility for child birth, and increased prenatal care quality by 15 percent, suggesting that in certain circumstances pay-for-performance can improve both the use of and quality of health services.

Starting in 2005, the RECURSO analytical and advisory program in Peru, funded by IBRD, has been helping the Government of Peru define and popularize simple to understand standards for children’s development in education, health, and nutrition. The project had a strategy to popularize standards for outcomes in terms of what children learn or how much children grow. For example, in education the standards were simple and transparent so that teachers, parents and communities knew what was expected in terms of how well the children perform in standardized, universal testing of second grade reading comprehension and math that now covers 80 percent of the schools. A simple to understand individual report was generated for every child and every school and used as an accountability mechanism. In particular, this program has helped to support improvements in several key outcomes:

- Chronic malnutrition among children under five was reduced to 24 percent in the first half of 2009, down from 28 percent in 2005.
- Rural institutional births coverage reached 55 percent in 2009, up from 50 percent in 2007.
- The proportion of second grade children with age-appropriate reading comprehension (level 2) rose from 16 percent in 2007 to 23 percent in 2009 while those below level 1 fell from 30 percent in 2007 to 23 percent in 2009.

Starting in 2006, through a combination of loans, grants, and technical assistance, IBRD helped the Brazilian state of Minas Gerais achieve remarkable results. Through a series of results based management reforms, and most recently, the Second Minas Gerais Development Partnership Project, IBRD has helped to improve the efficiency and effectiveness of public resource use and allocation through innovative public management techniques and a results-based management system of monitoring and evaluation of results. The Second Minas Gerais Project focuses on seven of the government’s priority results areas through a multi-Sector Wide Approach (SWAp), which comprises a set of separate sector specific projects integrated through an “umbrella” public sector management project. Preceding the Second Minas Gerais Development project were two other IBRD projects which yielded significant results. State Secretariats in the sectors covered by the two projects complied with the results agreements signed with the governor, and successfully implemented their strategic projects, undertook sector-specific management reforms, and achieved the targets set in line with the government’s development plan. These include:

- Improved early literacy: In 2009, 76 percent of eight-year old students registered in state schools were at the expected reading level in the third year of elementary school versus 65 percent in 2007.
- Improved literacy among those over 15 years of age, with the illiteracy rate reduced by 3.1 percent between 2001 and 2008.
- Improved investment climate through Minas Fácil program: days to start a business reduced to 11 in the state capital in 2009 versus 26 in 2007.
- Improved paved-road network: 5 percent increase of municipalities in the State with paved access in 2009 from 2007.
- Improved health services: 31 hospitals under the responsibility of the State Hospital Foundation assessed in respect of quality-of-care standards by an independent organization in 2009 versus none in 2007.

Bank Contribution

World Bank lending for countries pursuing RBB has averaged US$236 million over the last five fiscal years, with an average of US$39 million through the
International Development Association (IDA) over the last four recorded fiscal years. However, the majority RBB work is not done strictly through lending, but rather as technical assistance, components of other projects, or more recently through fee-based arrangements.

During fiscal years 2006-10, the IBRD helped countries to implement results-based efforts across 48 projects, mainly in Latin America and the Caribbean, with more recent projects in East Asia, Eastern Europe, and Africa. For example, IBRD approved over US$17.2 million for Mexico’s Results-Based Management and Budgeting Project currently underway. In Peru, the total cost to date of the IBRD-supported RECURSO analytical and advisory activities is about US$2.6 million. About US$500,000 of this was mobilized from bilateral donors, notably the United Kingdom’s Department for International Development. Non-lending IBRD funds to date for the RECURSO (over the past four years) have totaled US$2.05 million. In the case of Brazil’s Minas Gerais, the Second Minas Gerais Development Partnership Project is an investment loan in the amount of US$976 million. However, frequently results-based budgeting elements are included as smaller aspects of broader lending reform programs or through direct technical assistance, as opposed to stand-alone loan programs.

**Partners**

IBRD has worked with a number of partners including, the Ministry of Health in Rwanda, the Ministry of Finance in Peru, Malaysia’s Economic Planning Unit, the Civil Service Secretariat in México, the Ministry of Education in Peru, among others, providing lending and technical assistance to support results-based budgeting programs.

**Moving Forward**

Results-based budgeting reforms play a critical role in linking public expenditures to the outcomes citizens care about, such as reducing crime, increasing school attainment, and reducing mortality from disease. Many countries are moving from the first generation operational issues of ensuring that budgets are classified according to programs and the tracking of outputs, to future challenges of integrating performance information with decision-making and linking program activities and outputs to final outcomes. To improve the design, implementation, expansion, and evolution of results-based budgeting programs, further development of key lessons learned from experience is needed. Many IBRD countries are providing guidance for the expansion of RBB in IDA countries. IBRD and IDA will continue lending and providing technical assistance to support RBB programs and innovations tailored to individual country needs.

**LEARN MORE**

- Peru’s Recurso Project
  - Initial RECURSO book
  - Education book
  - Junín Education Study
  - Social Protection book
  - Vaso de Leche study
  - Study of measuring reading

- Minas Gerais Brazil Project and Second Minas Gerais Development Partnership Project:

- More on IBRD work in Brazil:
  - www.worldbank.org/brazil

- More on the State for Results Program:
  - http://www.estadopararesultados.mg.gov.br/

- More on the State Government of Minas Gerais:
  - http://www.mg.gov.br

- Multimedia for Peru Recurso
  - Education Video
  - Peru Nutrition Video
  - Guatemala Nutrition Video

- Video to promote the use of the education evaluation results