

**PROGRAM PERFORMANCE-BASED
BUDGETING (PBB) IN THE
MALDIVES**

**GUIDELINES FOR DEVELOPING
PERFORMANCE INFORMATION**

MARCH 2022

INTRODUCTION

The purpose of these guidelines is to assist agencies develop relevant and accurate measures of agency performance to use in the context of the Program Performance-Based Budgeting (PBB) initiative and performance reporting.

Performance budgeting aims to improve the effectiveness and efficiency of public expenditure by linking the funding of public sector organizations to the results they deliver. It uses systematic performance information (such performance indicators, measures, evaluations, and program costings) to make this link. The impact of performance budgeting will be realized in improved prioritization of expenditures, and funding for improved effectiveness and efficiency of delivery of governments services and outputs. For this reason, the Government of the Maldives has articulated its aim to shift towards full-fledged results-based budgeting or program budgeting during this term, the main purpose of which is “...to improve effectiveness of budgeting and to better understand the results achieved from the Government’s investments in key sectors”.¹

Adequate performance information, particularly in relation to program effectiveness, allows entities to assess the impact of policy measures, adjust management approaches as required, and provide advice to government on the success, shortcomings and/or future directions of programs. This information also allows for informed decisions to be made on the allocation and use of program resources. In addition, performance information and reporting enable the Parliament and the public to consider a program’s performance, in relation to both the impact of the program in achieving the policy objectives of the government, and its cost effectiveness.

It is recognized that development of meaningful performance indicators is not an easy task, and if these are not properly formulated, linked to budget funding and integrated into the budget review process, they will be of reduced value and relevance for making informed decisions. This will lessen the effectiveness/impact for agencies and the government.

To assist agencies in developing performance indicators/measures, these guidelines have been prepared by the Ministry of Finance, with the technical input of USAID’s PFM Maldives Activity, based on prevalent international practices on the use of performance measures and indicators. These guidelines also include a checklist setting out criteria for performance measures and targets, as well as examples from overseas experience. The guidance set out in this document builds on the substantial work already completed for the 2022 budget, to establish in cooperation with all central Accountable Government Agencies (AGAs), the PBB (Program Performance Based Budgeting) framework for allocating resources in accordance with strategic priorities, and development of the supporting program classification architecture in the Chart of Accounts.

The material presented forms an important component of overall guidance for preparing budget submissions, and will form part of a comprehensive set of PBB guidance materials, methodologies, budget operations manual, business processes, budget circulars and standard operating procedures.

¹ SAP STRATEGIC ACTION PLAN 2019-2013, GOVERNMENT OF MALDIVES, 2019

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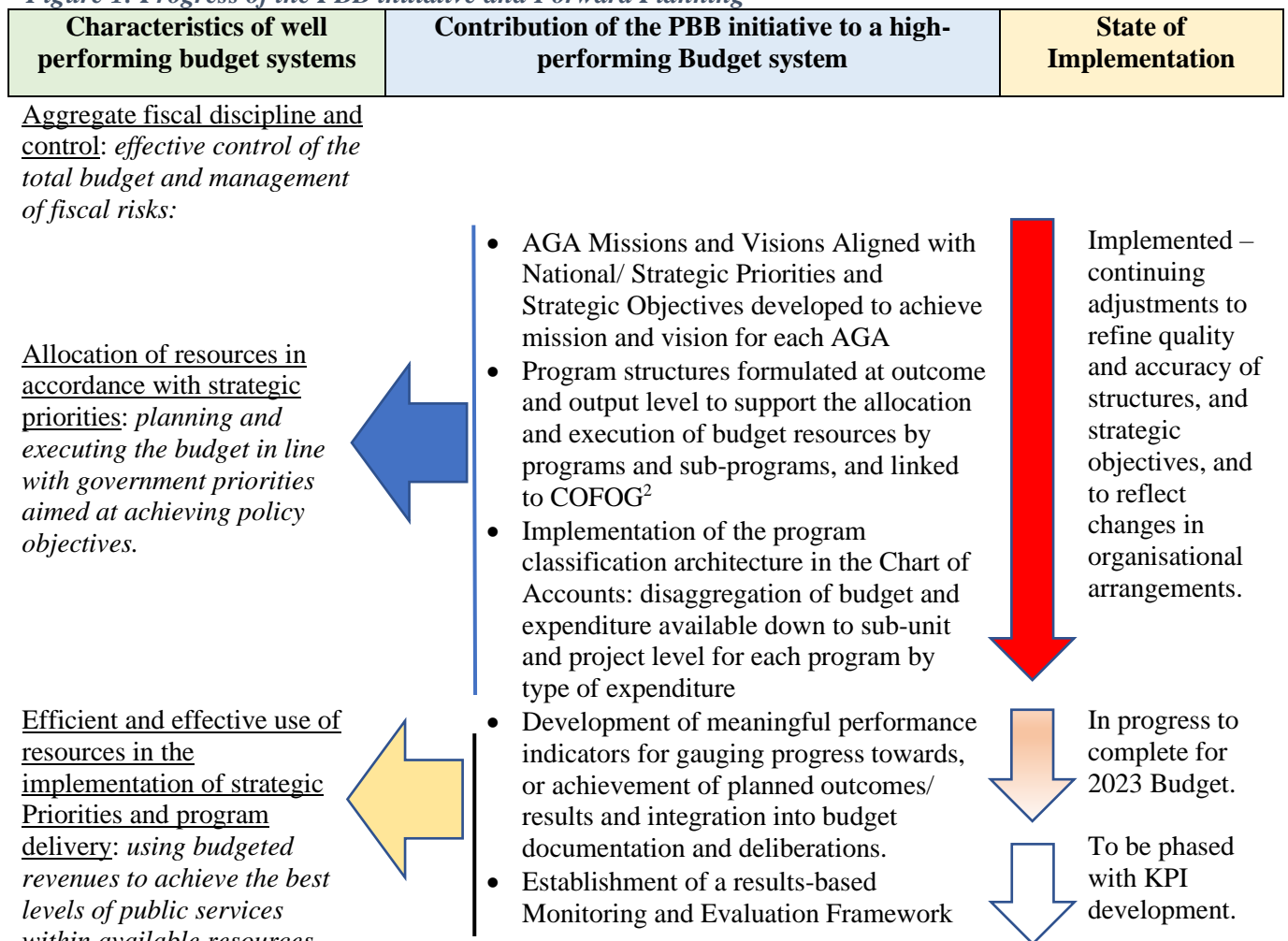
1. STATUS OF THE PPB (PROGRAM PERFORMANCE BASED BUDGETING) REFORM AND PLANNED IMPLEMENTATION STAGES

Based on international experience, implementation of a fully functional PPB framework is a significant task. It is a journey towards a high performing budget system that will take a number of budget cycles to become fully operational, and to realise the full benefits. These benefits include:

- A focus on the outcomes of Government resource allocation – have the results been achieved and assessment of progress towards goals;
- Identification of the policies and activities that work and why they work, in order to inform policy and program development and decision making;
- To prioritize limited resources to programs that are achieving the most important economic and social development goals among competing priorities;
- To have a more efficient, effective and responsive public sector;
- To improve transparency and accountability of the budget;
- Providing a mechanism for agencies to demonstrate and promote their achievements and explain any variance from expectations or reference points.

Figure 1 below, summarizes the progress of the PPB initiative to date as it contributes to achievement of a sound and well performing budget framework.

Figure 1: Progress of the PPB initiative and Forward Planning



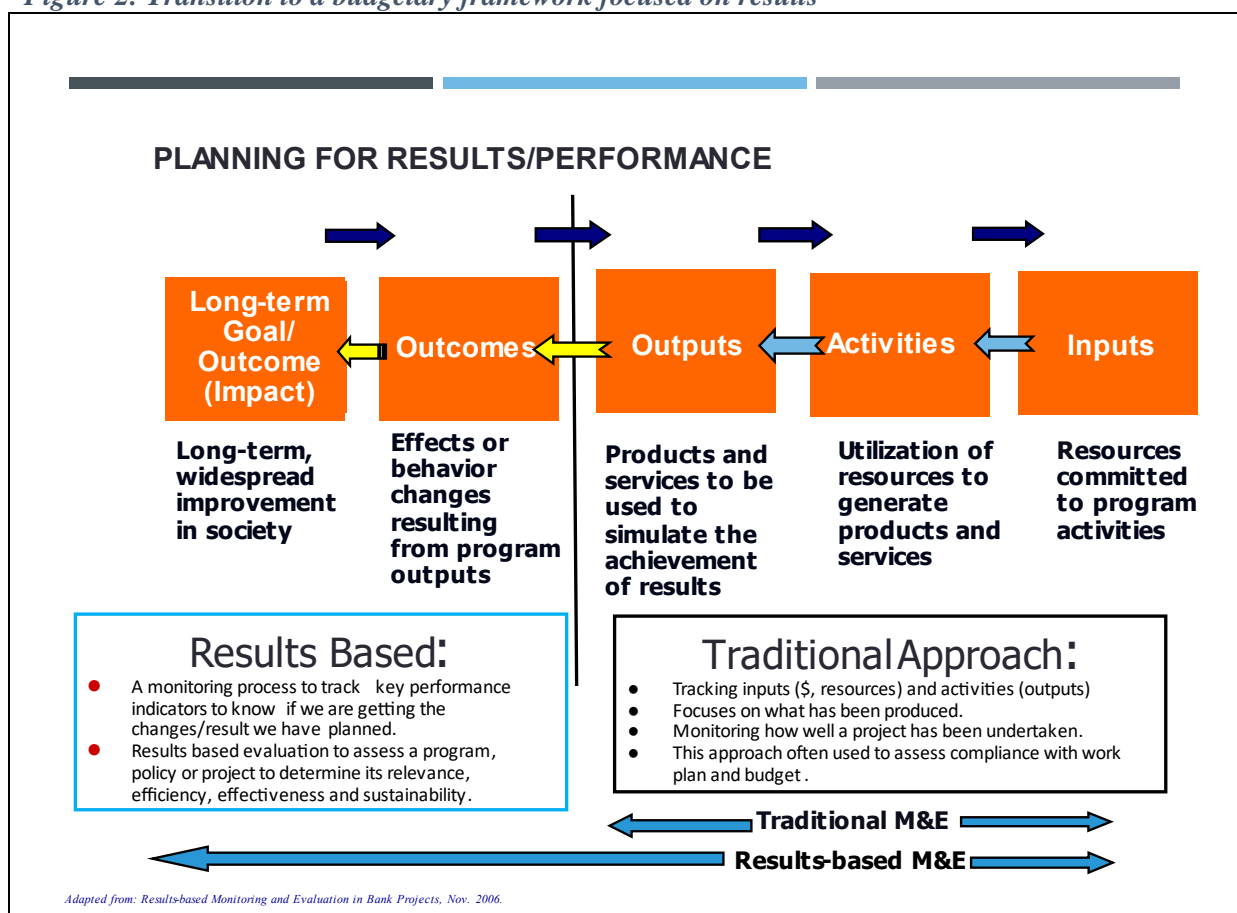
² Classification of Functions of Government

When the PBB reform is fully implemented, the government will possess a performance-based budgeting framework, complemented by a results-based monitoring and evaluation (M&E) framework. This will support key criteria for a well performing budget system, i.e., allocation of resources in accordance with strategic priorities, and efficient and effective program delivery

The results-based monitoring activity involves a process of collecting and analyzing information to compare how well a project, program, or policy is performing against expected results, and whether a project, program or policy is achieving its stated goals. Results based evaluation is an assessment of a program, policy or project to determine its relevance, efficiency, effectiveness and sustainability. It will assist in deciding the way in which a program should continue, and at what level, and if needs to be augmented, adjusted, decreased or replaced.

Figure 2 below summarizes the PBB system that is planned to transition from a traditional input based budgetary approach, to a budgetary framework that is focused on results.

Figure 2: Transition to a budgetary framework focused on results



2. PERFORMANCE INFORMATION FUNDAMENTALS

a) Definitions – Outputs and Outcomes

“Outcomes” and “outputs” play a central role in performance budgeting, and these concepts are discussed here to ensure clarity about their meaning. Figure 2 sets out a ‘results chain’ framework, where outputs are produced using inputs (resources) via activities and processes, and these outputs generate outcomes for the community.

Outputs are defined as the goods or services – the “products” – which a ministry or other government organization delivers to external/internal parties. This usually means services delivered to or for the direct benefit of the community, although some outputs are services which ministries deliver to other ministries or to internal clients. Examples of internal outputs include corporate services. Outputs include the broad range of government services provided to the population ranging from defence, medical treatments, support to agriculture and industry, schools and education, policing, social protection, sport, culture and religion, housing, etc. Outputs are produced by the use of inputs in production activities and processes. For example, the treatment which an injured person receives in hospital, income support for young people and for students, export finance assistance, advertising in support of tourism, police and emergency assistance, et cetera.

Outcomes are the intended impacts of outputs, i.e., the changes brought about by public programs upon individuals, social structures, or the physical environment. For example, if additional health services are provided for neo-natal services as an output, the intended outcome is reduced infant and maternal mortality. Criminal investigations are a police output, and reduced crime the outcome.

Many government services aim to achieve more than one outcome. For example, school education aims to increase the level of education of the population. But it also aims, amongst other things, to improve economic performance. Both a higher level of education and a stronger economy are outcomes. Because it is by means of the first of these that the second is achieved, a more educated population is said to be an intermediate outcome, and a stronger economy a higher-level or longer-term outcome.

In this discussion, inputs refer to all inputs, assets and capabilities which are or may be drawn on in the production process to deliver the outputs and outcomes desired. Inputs may contribute to the capability to deliver results include not only services to the community, equipment and buildings but also, for example, organizational culture and staff morale.

For the purposes of these guidelines, activities are defined as distinct efforts undertaken to achieve a specific result. It is an operation or work process that is internal to an organization and uses inputs to produce outputs (e.g. training, research, construction, negotiation, investigation). What represents an ‘activity’ is for entities to define, and will depend on the nature of the entity, including the complexity of its activities and its operating context.

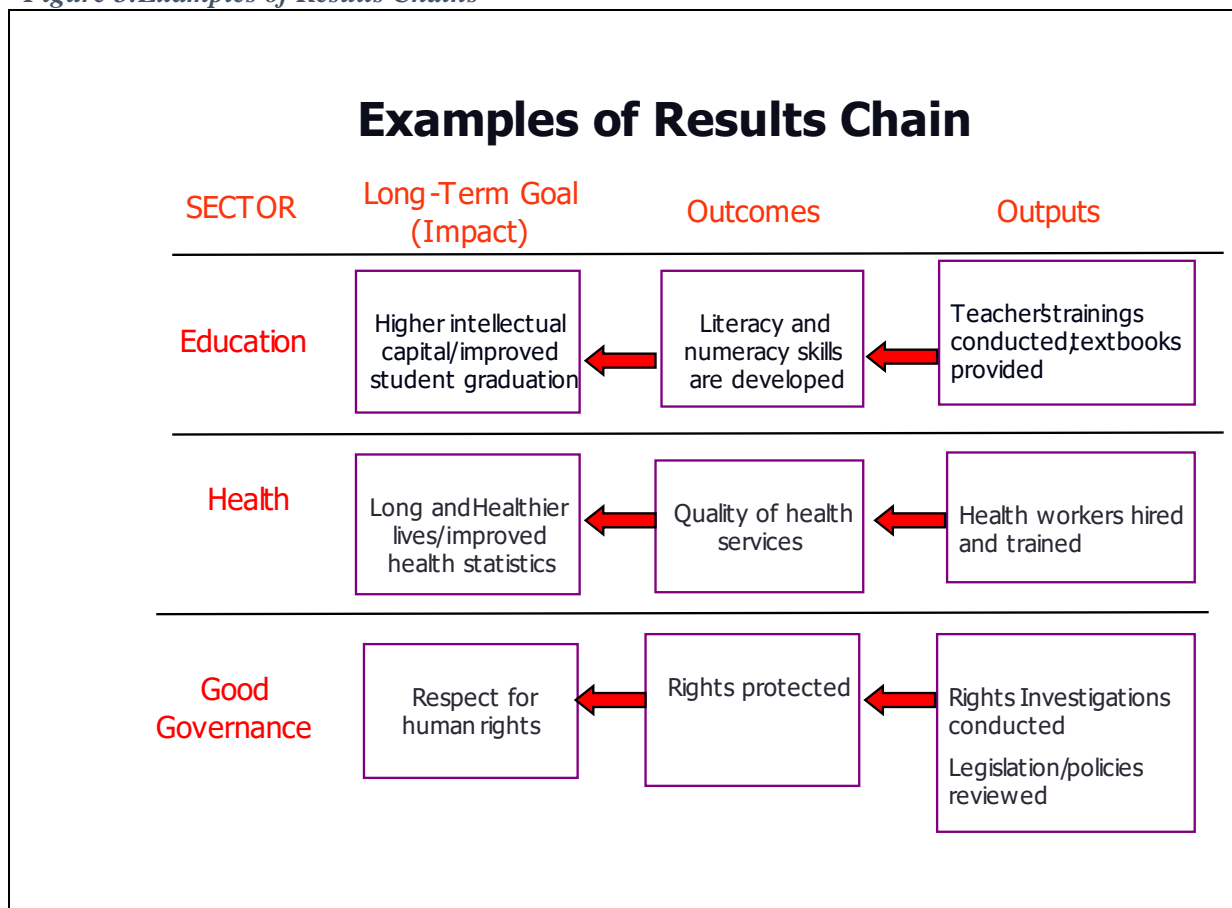
It is important to make a clear distinction between activities and outputs, as these may sometimes be confused. The following examples drawn from the literature are used to demonstrate this point:

- In a hospital, anesthesia, orderlies, conducting medical protocols, and sterilizing are activities rather than outputs because they are components of the overall service provided to the patient, rather than the complete service. The patient cannot recover through anesthesia, orderly attention or sterilizing in isolation, and it is only via the combination of all the necessary activities that the complete medical service (the output) is delivered. More generally, an output must be capable of delivering the intended outcome.
- Bus driving is an activity, whereas passenger trips are the outputs. Similarly, teaching is an activity rather than an output, and the output is students taught. In these cases, an activity produces multiple outputs.

The ‘results chain framework’ as summarized in [Figure 2](#) above is a useful analytical tool to consider the links between outputs produced by government agencies, using inputs (resources)

via their activities, to generate outcomes for the community. In the literature and in other countries implementing PBB, the results chain concept is sometimes referred to as a Logic Model (Australia and Canada) or Log Frame (EU). Figure 3 below provides examples of results chains.

Figure 3: Examples of Results Chains



b) Guidance for Identifying/Defining Outcomes and Outputs

Set out below is guidance on issues to consider in identify and defining outputs and outcomes.

Guidance for identifying/defining outcomes

- An outcome should align with the agency’s mission and vision.
- Outcomes need to be expressed with sufficient specificity to be able to determine the objectives that are being pursued.
- Agencies should avoid defining outcomes in subjective or value laden terms.
- The outcome description should clearly reflect the Government’s objectives and priorities.
- The outcome should be framed in terms of the impact on the Maldivian community.
- Where an outcome is focused on target groups, these groups should be able to be clearly identified.
- It should be possible to monitor and assess the achievement of an outcome.
- It should be possible to clearly identify a causal link between the action of government, through the outputs of the relevant agency, and the outcome sought.

Guidance for identifying/defining outputs

- The output description will clearly identify the good or service which is provided to entities within or without the agency.
- The output must contribute to the achievement of planned outcomes.
- The agency must have control (either direct or indirect) over the delivery of the output (including any outsourced activities).
- The output and associated performance information should help the Government understand what it is paying for and what will be provided in terms of:
 - the price per unit of the output;
 - the quantity of the output units to be delivered;
 - levels of quality to be delivered, including where appropriate the timing, frequency or location of the delivery of the products or services.
- The contribution of the output to achievement of the planned outcome.
- The output specification and associated information should provide a meaningful basis for relevant performance comparisons of the output.
- All activities undertaken by an agency should be covered by the agency's outputs.

c) 'Outcomes' and 'Longer Term Outcomes/Impact'

In the results chain model there is a division of outcomes into an immediate outcome and a longer-term goal/impact. In practice, there may also be intermediate outcomes, which are logically expected to occur once one or more immediate outcomes have been achieved. The reason for the distinction is one of timelines, with impacts being more long-term, and/or higher-level outcomes. However, in practice, the focus is on immediate and intermediate outcomes, as these are the changes brought about by government intervention within the time frame of the national budget's 3-year medium-term fiscal horizon.

Table 1 below summaries in more details these results chain concepts.

Table 1: Summary of Results Chain Elements³

Component	Description	Examples
Inputs	<ul style="list-style-type: none"> • Financial and non-financial resources used to deliver activities, produce outputs and accomplish outcomes. 	<ul style="list-style-type: none"> • Funds • Personnel • Equipment, supplies • Physical facilities
Activities	<ul style="list-style-type: none"> • The action(s) that a department or organization undertakes to produce one or more outputs under the program. • Demonstrate the "how" of the program. • Activities are sometimes referred to as "processes", "strategies" or "action steps". 	<ul style="list-style-type: none"> • Conducting research and analysis • Delivering training sessions • Consulting, engaging stakeholder opinion • Conducting inspections
Outputs	<ul style="list-style-type: none"> • Direct products or services generated from the activities of an organization, policy, program or initiative. • Are usually within the control of the organization itself. • Typically are tangible and can be counted. • Demonstrate the "what" of the program. 	<ul style="list-style-type: none"> • Pamphlet • Water treatment plant • Training sessions completed • Number of people trained • Position papers, research reports or studies

³ Adapted from Government of Canada, "A Guide to Developing Performance Measurement Strategies", 2016

	<ul style="list-style-type: none"> • Outputs are sometimes referred to as "deliverables" or "units of service". 	
Outcomes	<ul style="list-style-type: none"> • The change(s) or the difference(s) that result from the program outputs. • Demonstrate the "why" of the program. • Higher-level outcomes (e.g. ultimate outcomes) are not always within the control of a single program; instead, they are within a sphere of the organization's influence. 	<ul style="list-style-type: none"> • Improved collaboration and coordination among partners • Increased visibility of a certain issue • Improved policies
Immediate Outcomes	<ul style="list-style-type: none"> • An outcome that is directly attributable to the outputs delivered. • In terms of time frame, these are short-term outcomes. 	<ul style="list-style-type: none"> • Change in awareness, knowledge, skills or access of a target population (e.g. Increased knowledge of a certain issue)
Intermediate Outcomes	<ul style="list-style-type: none"> • Outcomes that are logically expected to occur once one or more immediate outcomes have been achieved. • Often, intermediate outcomes describe behavioural changes that result from increases in a target population's skills, knowledge, awareness and/or access. • The change may occur at the individual, group, organizational or community level. 	<ul style="list-style-type: none"> • Change in target population's behaviour
Ultimate Long-term Goal/Outcome (/Impact)	<ul style="list-style-type: none"> • These are the highest-level outcomes that can be reasonably and causally attributed to a policy, program or initiative. • Are a consequence of one or more intermediate outcomes having been achieved. • They often contribute to the higher-level departmental strategic outcome(s). 	<ul style="list-style-type: none"> • A change of state in target population, e.g. social impact

d) Concepts of 'Efficiency', 'Effectiveness' and 'Cost-effectiveness'

Efficiency

It is important to define the particular concept of efficiency being used. There are three classical measures of efficiency.

- Distributive efficiency (social efficiency): How efficient is the budget process in distributing resources to those in need?
- Allocative efficiency (economic efficiency): How efficient is the budget process in allocating resources to the most deserving projects?

- Mechanical efficiency (production efficiency): How efficient is Process A in the use of resources relative to Process B?

Efficiency in the context of the budget is focused on the efficiency of expenditure programs in delivering policy/program outcomes. There are strong budget pressures to maximize outputs for a given level of inputs. Interest therefore focuses on maximizing the use of funds, people, technology (inputs), the efficiency of the processes by which outputs and outcomes are delivered, and the quantity and quality of outputs produced by the program.

Efficiency is concerned with:

- Inputs (money, people, technology)
- Processes (by which the programs are delivered)
- Outputs (products produced by the program)

Effectiveness

Effectiveness can be defined as the extent to which a policy program achieves its stated objectives. Consequently, effectiveness requires targeting, and requires performance indicators to show how well the target (objective) is being achieved on the basis of resources allocated.

Governments always want to know the effectiveness of programs that deliver their policies and the objectives of the policy program need to be clearly stated.

Cost-effectiveness

Budget pressures and scarcity will always mean that cost will remain a major issue. There is an increasing need to evaluate alternative solutions to determine which best meets the objectives at an acceptable cost. This requires value judgements to be made about the trade-off between performance and cost. There is a tendency to develop solutions that will more than meet the requirements. These may even be efficient and effective, but cost a lot of money.

Therefore, efficiency and effectiveness need to be combined.

- A management focus on efficiency makes sure people “do the thing right”
- A management focus on effectiveness forces people to ask “are we doing the right thing?”
- A program is cost-effective if:
 - It is efficient - (mechanical efficiency)
 - It is effective - (meets the objective)
 - It is appropriate - (suited to the task or 'fitness for purpose')

Cost-effectiveness is a powerful evaluation tool. It enables more informed decision-making between different proposals, and lessens the incentive to under/over-estimate costs and overstate the effectiveness and benefits, through assessing the cost estimates and assessing “fitness for purpose.”

Program budgeting plays a vital role in informing the allocation of resources through ensuring alignment of proposals and programs with stated objectives.

3. DEVELOPING PERFORMANCE INDICATORS/MEASURES

As mentioned in the introduction to these guidelines, performance budgeting aims to improve the effectiveness and efficiency of public expenditure by linking the funding of public sector organizations to the results they deliver. Systematic performance information, i.e. performance indicators and measures, allows budget decision makers to assess the impact of policy measures, adjust management approaches as required, and provide advice to government on the success, shortcomings and/or future directions of programs. This information also allows for informed decisions to be made on the allocation and use of program resources. Performance information and reporting also enables the Parliament and the public to consider a program's performance, in relation to both the impact of the program in achieving the policy objectives of the government, and its cost effectiveness.

a) Definition of Performance Indicators/Measures

Performance indicators are quantifiable measures which provide information on the effectiveness and efficiency of programs and organizations. In this guide the terms "performance indicator" and a "performance measure" are used interchangeably.

Performance indicators are intended to provide information that assists budget decision makers, at both central and line agency, Government, and Parliamentary level, to:

- Measure what is being produced (ie outputs or services delivered) with Government resources;
- Measure the impact and/or achievements of Government programs against program objectives;
- Review agency achievements and results and seek explanation of variances from expectations or reference points;
- Assess whether the Government (and taxpayers) are receiving the results expected from the resources allocated to programs;
- Identify necessary improvements in Government programs and services and resource allocations; and,
- Support improved prioritization of resources among competing priorities.

b) Formulating Performance Indicators/Measures

The key to designing useful and meaningful performance indicators is to have clearly defined and measurable strategic objectives that the organization seeks to achieve, and then translate these into the outcomes that are sought, and the outputs (incorporating the resource inputs and activities) that will deliver these outcomes. Performance indicators should then be attached to the outcomes and outputs which will reflect progress of, or towards achievement of these outcomes/results.

A Strategic Objective is defined as a broad, measurable statement of a program's desired outcome, aligned with the Government's priorities and sector strategies, and advancing the organizations mission and vision.

The results chain model can be useful for developing performance measures, because it reflects the 'theory of change' of how an intervention will contribute to a chain of results flowing from the inputs and activities to achieve short, medium and long-term outcomes. The following

example from the New South Wales Government of Health of Australia to improve adolescent health through a reduction in smoking, demonstrates this approach. (See [Figure 4](#) below).

Figure 4: Example of a results chain for an anti-smoking campaign for youth⁴

Inputs	Activities	Outputs	Short-term outcomes	Long-term outcomes
Funding (over five years). Staff Community partnerships.	Develop social marketing campaign. Develop school-based smoking education program. Policy and regulatory action.	Adolescents are exposed to anti-smoking messages. Adolescent participation in smoking education programs. Restrictions on tobacco sales to minors are enforced.	De-normalization of smoking. Lower rates of smoking take-up. Adolescents have decreased access to tobacco. Increased quit rates.	Improved adolescent health. Reduced smoking rate.

c) Types of Performance Measures

To be useful, program measures should directly relate to goals and/or objectives. They should measure the same thing over time; show the impact of agency actions; and use terms that are clearly understood by officials, clients and decision-makers.

Performance measures generally fall into one of the following categories:

- Output or Quantity Measures
 - What is produced or delivered?
- Effectiveness or Outcome Measures
 - What is the impact or outcome of the program?
- Efficiency Measures
 - What is the cost per unit of output?
 - Is the program delivered at least cost?
- Other more measures including:
 - Quality and timeliness

Output Measures

Output measures describe what is being produced or delivered in terms of how much or how many and require a unit of measure to be defined. Output measures may reflect units produced of a single program or, where a program has several objectives or sub-programs, discrete quantities of goods or services, which contribute to the program objective.

⁴ Adapted from NSW Ministry of Health, Australia, “Developing and Using Program Logic: A Guide”, 2017.

For example, a policing program that requires all drivers to attain a certain standard of competency to be able to drive a vehicle on the road could use the number of licenses issued as a single output unit. However other lower- level outputs to reflect actual workload could also include number of people sitting driving tests, number of driving test applications submitted, number of enquiries from the public. Other examples of output include:

- Number of hospital bed days provided
- Number of kilometers of road improvement
- Number of immunizations against particular diseases
- Number students taught
- Number of planning applications determined
- Policy advice provided

Outcome Measures

Outcomes measures provide information on the extent to which program goals or objectives have been achieved on the basis of resources allocated.

Outcome measures are directly related to goals and objectives; they measure impacts. In addition to determining whether the program is achieving its objectives, they can also indicate whether the program is well managed to achieve its objectives, or if additional or reduced resource allocations are warranted.

A recognized challenge in defining outcome indicators is distinguishing external factors that are beyond the control of government which influence the characteristics of individuals, social structures or the physical environment which the government is trying to change. An example can be seen in agriculture, where planned outcomes are affected by emerging climatic conditions. In the education sector, educational levels attained by children are determined not only by the quality of the education they receive at school, but by external factors such, as the socio-economic environment. Similarly, tourism numbers are affected by a range of external factors, which the COVID-19 pandemic has demonstrated.

To address these challenges, there will always be an opportunity to explain why there are differences between planned and actual results, and to learn from experience. When specifying outcome or effectiveness measures it is useful to address the following questions:

- Do the outcome measures reflect the Government's goals, objectives and priorities with respect to this program?
- Is the outcome measure expressed in terms of impact on the client group/community?
- If the outcome measure is an indicator of a program targeted to a specific group, can these be clearly identified?
- Is it possible to identify cause and effect between the program activities and the desired outcome?
- Is the desired outcome worded clearly and concisely and is it suitable for external reporting?
- The degree to which they account for factors outside the direct or indirect influence or control of the agency and/or government policy mechanisms

Example of effectiveness or outcome measures for program strategic objectives are as follows:

Objective: To diagnose and treat patients with acute illness and others requiring hospitalization within a reasonable and appropriate time of the appearance of symptoms.

Measures:

- Average length of stay in hospital
- Average waiting time for hospital treatment by disease
- Percentage of acute hospital cases that are discharged home
- Survival rates of hospital treatment by specific disease
- Mortality rates from acute illness

Objective: Sustainable government finances

Measures:

- Underlying budget balance on average, over the economic cycle
- Maintaining fiscal surpluses over the forward estimates period while economic growth prospects remain sound
- No increase in the overall tax burden from its current level
- Improving the net assets position over the medium to longer term

Efficiency Measures

Efficiency measures relate outputs to the level of resource inputs required to produce them. They are generally expressed in the form of an index, ratio, unit cost or some other related form of comparison. While the most common efficiency measures focus on financial resources i.e., cost per unit, in some cases an increase in output quality or improvement in timeliness per unit of output (for a given cost) may also represent improved efficiency. Physical efficiency measures, which relate physical inputs to physical outputs, may also be used, for example, units of output per machine hour. Examples of efficiency measure include:

- Cost per case (Ministry of Justice)
- Administrative cost as a percentage of total grants
- Cost per student (Education)
- Cost per client (Social Fund)
- Cost per vaccination (including delivery)
- Cost per planning application determined,
- Cost per visa application processed
- Pension benefit applications processed per staff member
- Average staff time taken to administer a practical driving license test

Quality and Timeliness

Quality measures usually reflect service standards based on client and customer needs. The dimensions of quality measures can include such things as accuracy, completeness; accessibility; continuity; and customer satisfaction of the output.

It is sometimes difficult to distinguish between quality and effectiveness measures. Generally, measures of quality relate directly to a particular characteristic or nature of the output produced rather than the impact or outcome that the program is having.

Timeliness measures provide a benchmark for how frequently and within what timeframes program outputs will be produced and outcomes achieved. Sometimes these measures are identified as a separate category, but they can also be viewed as a measure of quality. Timeliness can often also be regarded as a quality and or effectiveness measure (e.g. percentage of trains running on time; average waiting time for hospital treatment). Often it is considered as an important indicator that should be measured in its own right.

Other examples of timeliness measures include: average waiting time for a service (e.g. hospital); time taken to respond to an enquiry or application (pension); services delivered within defined benchmarks (train/bus journeys running on time); outputs completed within a certain timeframe (number of hospital operations completed in a given period).

For some programs, timeliness measures may not be appropriate i.e. not all programs will have useful measures of timeliness.

4. CRITERIA FOR SELECTION OF SOUND INDICATORS

Performance measures chosen should be able to clearly indicate the success or status of a program in accordance with the desired program objective. To be useful and meaningful, performance measures should facilitate measurement of achievement of outputs and outcomes, or progress achievement over a period time against a base-line, or as a comparative analysis against selected benchmarks (e.g. international comparisons).

It needs to be recognized that budget decision-makers invariably have great demands on their limited time, and program performance information therefore needs to be readily accessible and understood. A few key program performance measures will be more useful to top decision-makers than a collection of dozens of indicators, which may be useful/relevant at the operational level.

Therefore, the key questions to consider when developing performance measures are:

- Whether the performance measure will assist government (and/or budget decision makers) in deciding (or making recommendations) on how to allocate resources;
- Is the performance measure useful in assessing the success or otherwise of the program;
- If there is a real use for the indicator – if you cannot answer the question, “*When I get this information, what am I going to do with it?*” reconsider capturing that information!

When framing strategic objectives and outputs, and formulating the performance indicators, they should align with the following ‘SMART’ criteria:

Specific: Information provided is sufficient to provide a clear and unambiguous understanding of what the indicator is and the output/outcome it is measuring:

- The measures cover all important aspects of performance to enable an accurate picture to be given of the program’s success or failure
- The measures fully describe the activities of the program
- There is general agreement among decision makers and other stakeholders that the measures are useful.
- The performance measures will facilitate comparison with:

- Similar outputs provided by other providers and/or
- The agency's/program's performance over time.
- It is clear who is responsible for program delivery

Measurable: Information presented (number and measurement unit) is sufficient to provide a clear understanding of the quantity of the program policy goal, objective or output that has been planned:

- Data can be collected and reported for the measure in accordance with specified reporting requirements and budget process timetable.
- The agency will have the capacity to collect the necessary data and report performance within agreed timeframes.
- The information is impartially gathered and impartially reported.
- The techniques used to develop relevant data need are free from bias.

Achievable: Technical capacities and financial resources are sufficient for the planned quantity of the program policy goal, objective or output to be successfully achieved or delivered:

- Data can be collected and reported for the measure in accordance with specified reporting requirements and budget process timetable.
- The agency will have the capacity to collect the necessary data and report performance within agreed timeframes.
- Performance measures can be verified by subsequent independent analysis.

Relevant: The program performance measure is appropriate to the service delivery area of the program output/outcome it relates to.

- The measure clearly indicates the success or status of the program.
- The performance measure indicates quantity, effectiveness, quality or timeliness of a program in accordance with the stated objectives.
- The measure assists the government in deciding how to allocate resources
- The performance measure provides sufficient information to enable objective assessment of whether the program has achieved or is satisfactorily progressing towards achievement of its objective.
- For example, the extent to which an agency's program has achieved a predetermined target or outcome; trends in performance over time; performance relative to other similar agencies, service providers or benchmarks.

Time-bound: The time period over which a program policy goal, objective or output is to be achieved or delivered is clearly indicated.

5. LINKING FUNDING TO OUTCOMES/RESULTS

The key rationale for implementing the PBB initiative is to improve the effectiveness and efficiency of public expenditure by linking the funding of public sector organizations to the results they deliver. This also lies behind the government's decision to implement results-based budgeting to improve the effectiveness of budgeting, and to better understand the results achieved from the Government's investments in key sectors.

The core element in linking government expenditure to the results or outcomes sought, are outputs. These are the deliverables – good and services – agencies produce, and for which they are funded, to generate the outcomes specified by government. Performance indicators are developed to allow scrutiny of effectiveness (i.e., the impact of the outputs on outcomes) and

efficiency (especially in terms of level of funding, quality and quantity of outputs) to enable assessment of performance and accountability for results.

In considering development of performance information agencies will need to carefully consider the trade-offs between the resources available, and cost, quantity and quality of outputs to be provided to achieve government priority outcomes. Poorly specified performance information will not contribute to improved budget decision-making, or allow agencies to demonstrate the value of their programs vis-à-vis other programs competing for limited budget resources. For example, setting performance measures for outcomes and outputs that are unachievable/optimistic, could give the false impression that an otherwise well performing program is not well managed. The misspecification of performance information has the potential to distort budget decision making, with a consequent impact for mis-allocation of budget resources.

To avoid these problems, performance information should accord with the criteria set out above for developing ‘SMART’ performance indicators.

To practically implement the linking of government expenditure to results, during 2021, the Ministry of Finance coordinated with AGAs to develop the phased implementation of PBB. Phase 1, which was carried out during 2021 in preparation for the 2022 national budget, established the framework for allocating resources in accordance with strategic priorities, by:

- Reviewing AGA Agency/Missions to ensure alignment National/Strategic Priorities;
- Developing/Clarifying Strategic Objectives;
- Developing program structures addressing objectives;
- Augmenting the Chart of Accounts to develop a program classification architecture, to support the allocation and execution of budget resources by programs and sub-programs through MOF’s Financial Management Information System (FMIS); and,
- Inclusion for the first time in the 2022 budget documentation, information on the allocation of budget resources by agency programs, which formed the basis for submission of the 2022 budget estimates for all AGAs.

Phase 2 of PBB implementation will extend until through 2022, to develop the first set of meaningful performance indicators for gauging progress towards, or achievement of planned outcomes. Presentation of future Budgets will include, in addition to a disaggregation of agency expenditures by programs and sub-program, strategic and performance information in the budget documentation. The Ministry of Finance’s FMIS has been developed to record the details of performance indicators, their base-line levels in 2021, and projected values over the medium-term budget horizon from 2022 to 2025.

To practically implement the linking of funding to results, note that approved budget allocations by program, sub-program, section and sub-unit/activity are available for all AGA from MoF’s FMIS. Figure 5 below is an example of available program budget information.

Figure 6 below demonstrates that the program budget information can be disaggregated to a further granular level of economic type/general ledger code, if required

Figure 5: Example of Program Budget information for MoF Program 3, disaggregated by Program, Sub-program and Section

Program 3: Fiscal Affairs, Resource Mobilization and Debt Management (MOF)			
Strategic Objective 3: National fiscal policy and budget is consistent with macroeconomic stability and sustainable and inclusive socio-economic development and growth	2022 Budget	2023 Budget	2024 Budget
Fiscal Affairs, Resource Mobilization and Debt Management	660,127,933	667,664,690	775,272,871
Fiscal Affairs Department	4,600,858	4,455,193	4,459,658
National Budget Section	1,778,518	1,632,853	1,637,318
Budget preparation and Monitoring Unit	1,204,461	1,058,796	1,063,261
Budget Execution Unit	574,057	574,057	574,057
Fiscal Policy Section	2,822,340	2,822,340	2,822,340
Tax Policy Unit	1,072,811	1,072,811	1,072,811
Economic and Expenditure Policy Unit	799,588	799,588	799,588
Research and Publications Section Unit	949,941	949,941	949,941
Resource Mobilization and Debt Management Department	7,279,710	7,364,520	7,451,873
Resource Mobilization Division	4,355,957	4,436,612	4,519,686
Financial Institution Section	3,899,014	3,979,669	4,062,743
Aid Coordination Section	456,943	456,943	456,943
Debt Management Division	2,923,753	2,927,908	2,932,187
Financing Section	1,703,139	1,707,294	1,711,573
Strategy and Analysis Section	508,727	508,727	508,727
Recording and Reporting Section	711,887	711,887	711,887
Project Implementation	648,247,365	655,844,977	763,361,340
Airport Development	560,757,256	560,237,579	701,257,600
Hulhumale Infrastructure Development	81,890,109	87,884,490	42,304,100
Digital Terrestrial Network Development Project	5,600,000	7,722,908	19,799,640

Figure 6: Example of disaggregation of Program Funding by Economic Type/General Ledger Code

	2022 Budget	2023 Budget	2024 Budget
Fiscal Affairs, Resource Mobilization and Debt Management	660,127,933	667,664,690	775,272,871
Fiscal Affairs Department	4,600,858	4,455,193	4,459,658
National Budget Section	1,778,518	1,632,853	1,637,318
Budget preparation and Monitoring Unit	1,204,461	1,058,796	1,063,261
211001 - Salaries and Wages	479,532	479,532	479,532
211002 - Overtime Pay	68,553	68,553	68,553
212005 - Ramazan Allowance	12,000	12,000	12,000
212023 - Exclusive Job Allowance	130,215	130,215	130,215
212024 - Phone Allowance	9,000	9,000	9,000
212027 - Service Allowance	89,988	89,988	89,988
212031 - Supporting Core Allowance	16,800	16,800	16,800
212032 - Technical Core Allowance	70,306	70,306	70,306
213006 - Contribution to the retirement pension scheme	33,567	33,567	33,567
423001 - Furniture & Fittings	115,500	118,965	122,534
423002 - Machinery and Equipment	150,000	-	-
423005 - Reference Books & Exhibition Goods	10,000	10,300	10,609
423008 - IT-Related Hardware	19,000	19,570	20,157

Figure 7 below demonstrates for the purposes of exposition, a sample completion of output and outcome indicators for its Program 3: “Fiscal Affairs, Resource Mobilization and Debt Management”. The matrix permits a comparison of the outputs that contribute to each outcome,

and the resources allocated for that purpose, and a similar performance indicator development exercise will need to be completed by each AGA for each of their programs.

Figure 7: Example of Matrix of Performance Indicators for output and Outcomes for MOF Program 3

Program 3: Fiscal Affairs, Resource Mobilization and Debt Management (MOF) Strategic Objective 3: National fiscal policy and budget is consistent with macroeconomic stability and sustainable and inclusive socio-economic development		2022 Budget			2023 Budget			2024 Budget		
		2022 Budget	2023 Budget	2024 Budget	Performance Indicators/Measures Definition/Description		Metrics			
					Output Level	Outcome level	Baseline 2021	2022	2023	2024
S020-000-000-000	Ministry of Finance	62,490,000	62,896,093	63,468,874						
S020-003-000-000-000	Fiscal Affairs, Resource Mobilization and Debt Management	11,880,568	11,819,713	11,911,531						
S020-003-001-000-000	Fiscal Affairs Department	4,600,858	4,455,193	4,459,658		Overall budget balance consistent with published fiscal anchor	-22%	-11%	-5%	-5%
S020-003-001-001-000	National Budget Section	1,778,518	1,632,853	1,637,318						
S020-003-001-001-001	Budget preparation and Monitoring Unit	1,204,461	1,058,796	1,063,261	Medium-term perspective in expenditure budgeting implemented as per score for PEFA Indicator 16		D	C	B	A
S020-003-001-001-002	Budget Execution Unit	574,057	574,057	574,057	Monitoring provided to ensure Budget executed in accordance with planned composition measured by international PEFA framework Indicator 2		C+	B	B	B
S020-003-001-002-000	Fiscal Policy Section	2,822,340	2,822,340	2,822,340						
S020-003-001-002-001	Tax Policy Unit	1,072,811	1,072,811	1,072,811	Production of accurate and robust macroeconomic and fiscal forecasts		B+	B+	A	A
S020-003-001-002-002	Economic and Expenditure Policy Unit	799,588	799,588	799,588	Medium term fiscal strategy/framework developed and improved in accordance with PEFA Indicator 15		D+	B	B	A
S020-003-001-002-003	Research and Publications Section Unit	949,941	949,941	949,941	Percentage of time Quarterly and annual reports produced to the required standards within 1 month of production calendar		90%	90%	90%	90%
S020-003-002-000-000	Resource Mobilization and Debt Management Department	7,279,710	7,364,520	7,451,873		Decrease in public debt and guaranteed debt as a percentage of GDP	122%	115%	105%	105%

There are important points to note about the compilation of indicators in [Figure 7](#) as follows:

- At least one outcome indicator is required for each sub-program. A sub-program may have more than one high-level outcome/impact indicator.
- The sub-program outcome indicators will be accumulated to represent the performance indicators at the program level. If a program does not possess a sub-program, the outcome indicator should be entered at the program level.
- Output indicators are entered at the section/unit or sub-unit level. At least one output indicator is required at the section level as a minimum.
- In the example at [Figure 7](#), output indicators are provided at the sub-unit level, but this may not be appropriate for every agency.

6. MONITORING, COLLECTING AND RECORDING INDICATORS/MEASURES

Data collection is an important first stage in the production of performance information. Cost-effective acquisition of information using existing sources of information, such as existing government records, will mitigate the often time-intensive and costly efforts of producing data. It is often overlooked that the information gathered for monitoring a particular activity may be of value to other areas of the organization.

For the purposes of clarity, accountability and efficiency, every indicator should have a monitoring and recording plan. At a minimum this will involve:

- Clear and precise description of the indicator, what will be measured and unity of measure.
- Baseline & Targets:
 - Baseline. Value of the indicator at the beginning of the program. Used as a point of comparison when measuring progress toward a specific result.
 - Target values. The intended value of the indicator at the end of a specified point in time, against which actual results will be measured
- Acquisition Method. Data source, frequency/schedule, and responsibility for its collection
- Data Acquisition Method. Data source, frequency/schedule, and responsibility for its collection.
- Critical Assumptions. External factors that could significantly affect the achievement of the program results targets.

Figure 8 below provides an example of a simple monitoring and recording plan

Figure 8: Example Monitoring and Recording for Indicators

Indicators (Definition % unit)	Base Line & Target Values (/Year)				Data Collection & Reporting		
	Base line	1	2	3	Frequency/ Schedule	Instrument (Method)	Responsible Party
% of target population vaccinated against disease	0	50%	75%	90%	Annually (November)	Administrative records	Ministry of Health – Records Department

7. USE OF PERFORMANCE INFORMATION

Performance measures will be integrated as an essential element of budget planning, negotiation and execution processes. Good performance information is critical to improving budget resource allocation decisions, agency performance and the transparency and accountability of the national budget.

Among other things, as part of the development of the budget, MoF will use performance measures to:

- review program performance;
- identify which programs are achieving objectives;
- establish which programs are operating efficiently (in terms of costs and/or per unit of output);
- make assessments about whether there more efficient or effective ways of delivering the service;
- identify the reasons for a program's good or poor performance (i.e., is this due to program administrator factors, poor program design or external factors outside the control of the program administrator);
- assess the relative priority of the program compared to other programs;
- make decisions to increase/decrease funding to a program or abolish a program.
- Provide agencies with an opportunity demonstrate and promote their achievements and explain any variance from expectations or reference points

Ultimately, better information leads to better decision making and better resource allocation.

Performance information is also useful for agencies. Relevant and useful performance information enables program administrators to make better operational decisions to improve efficiency and effectiveness of their programs; for example by identifying sub-standard performance and making necessary changes or improvements to business processes. Performance information enables program administrators to make comparisons with alternative means of delivery and to present arguments and justification for continued or increased resource allocations.

Performance information is also critical to improving the level of accountability and transparency of the Maldives budget policy decision making processes. By using program information, in particular performance measures, parliamentary members and budget committee members can play a significant role in holding program administrators accountable for program success or failure.

8. NEXT STEPS IN PERFORMANCE INFORMATION DEVELOPMENT

It is important to note that Program Performance-based Budgeting should not be seen as an isolated initiative. It needs to be seen as part of broader reforms to reform and improve public sector management. These broader reforms usually grouped under the rubric of 'Managing for Results,' include civil service reforms designed to increase the motivation and incentives of public employees; organizational restructuring to increase the focus on service delivery and improve coordination (e.g. creation of agencies and reduction of numbers of ministries); and institutional change to strengthen transparency and public accountability for performance.

Action on these and a range of related fronts is necessary if the efficiency and effectiveness of public expenditure is to be tangibly improved. Improved performance information is fundamental to each of these elements of reform, because all need to be underpinned by better performance information.

The material presented in this guidance document forms an important component of overall guidance for preparing budget submissions, and will form part of a comprehensive set of PBB guidance materials, methodologies, budget operations manual, business processes, budget circulars and standard operating procedures, to support budget process improvement.

Representatives from the Ministry of Finance, working with the USAID PFM Activity Project, will be reaching out to all AGAs throughout the 2023 budget cycle, using the guidance material presented here, to develop useful and meaningful performance information that will materially improve the quality of budget resource allocations and decision-making. In particular, agencies will be requested to complete a matrix such as that shown at Figure 7 above, to develop output and outcome indicators for the resources and outputs contributing to the strategic objectives identified for each program.

When finalized, the performance indicators will be entered into the Ministry of Finance's Budget Planning and Consolidation (BPC) system, which it has developed to record and monitor the details of performance indicators for outputs and outcomes at each level of the program structure, and the associated budget resources. This includes base-line levels in 2021, and projected values over the medium-term budget horizon from 2022 to 2025.

For any queries on these guidelines, please contact:

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