

New Delhi dated the 16th December, 2011.

OFFICE MEMORANDUM

SUBJECT:- GUIDELINES FOR PREPARATION OF OUTCOME BUDGET 2012-13.

Introduction

Outcome budgets have become an integral part of the budgeting process since 2005-06. OUTCOME BUDGET 2012-13 will broadly indicate the physical dimensions of the financial budgets as also the actual physical performance in 2010-11, performance for the first 9 months of the year 2011-12 and the targeted performance during 2012-13.

Scope of Coverage in Outcome Budget 2012-13

2. The Outcome Budget documents will be prepared separately by each Ministry/Department in respect of all Demands/Appropriations controlled by them, except those exempted from this requirement and to the extent disclosures are not barred on considerations of security etc. A list of exempted Demands/Appropriations is enclosed at **Annexure-I**. However, even the Ministries/Departments and other authorities 'exempted' from preparation of Outcome Budget and placing it in public domain are requested to carry out this exercise for internal use and voluntarily decide to place it in public domain fully or partially.

3. As far as feasible, sub-targets for coverage of women and SC/ST beneficiaries under various developmental schemes and the schemes for the benefit of the North-Eastern Region should be separately indicated.

Broad format of Outcome Budget 2012-13

4. The Outcome Budget 2012-13 will be prepared on the basis of Budget 2012-13 in the form of a document, separate for each Ministry/Department, broadly consisting of the chapters detailed below:

Executive summary: Apart from summarizing relevant chapters, this portion should prominently highlight the details of the monitoring mechanism and the public information system put in place by the Ministry/Department to regularly monitor physical and financial progress during the course of the year and inform the general public about it.

Chapter I: A brief introductory note on the functions of the Ministry/Department, organizational set up, list of major programmes/schemes implemented by the Ministry/Department, its mandate, goals and policy framework. This introduction should

highlight, in particular, if the Ministry has goals, or major programmes or schemes in respect of women/gender equality.

Chapter II: This will contain a tabular format, which may be visualized as “vertical compression and horizontal expansion” of the Statement of Budget Estimate (SBE) included in the Expenditure Budget Vol. II (with suitably adapted format for Railways). There may be separate tables for separate Demands/Appropriations controlled by the Ministry/Department. The main objective is to establish a one-to-one correspondence between (financial) Budget 2012-13 and Outcome Budget 2012-13. The details will comprise of the financial outlays, projected physical outputs and projected/budgeted outcomes (intermediate/partial and final, as the case may be). Projected physical output should be disaggregated by sex, wherever possible and appropriate i.e. where delivery is to individuals. An indicative format for these Demand/appropriation –wise tables is enclosed **Annexure-II**. Explanatory notes may be liberally added, wherever necessary.

Chapter III: This will detail reform measures and policy initiatives, if any, taken by the Ministry/Department and how they relate to the intermediate outputs and final outcomes in areas such as public private partnerships, alternate delivery mechanisms, social and women’s empowerment processes, greater decentralization, transparency etc.

Chapter IV: Review of past performance: At the very least, this should indicate the performance during 2010-11 and 2011-12 (upto December, 2011) in terms of targets already set. The analysis of physical performance should be Scheme-wise with the reasons for variations; explaining the scope and objectives of individual programs/schemes, giving their physical targets and achievements. Indicators of performance relating to individuals should be sex-disaggregated.

Chapter V: Financial Review covering overall trends in expenditure vis-à-vis Budget Estimates/Revised Estimates in recent years, including the current year. Data should be segregated scheme-wise, object head-wise, and institution wise in the case of autonomous institutions. Position of outstanding utilization certificates and unspent balances with States and implementation agencies should also be brought out.

Chapter VI: Review of performance of Statutory and Autonomous Bodies under the administrative control of the Ministry/Department. The same principles as in reporting on the Ministry’s own performance should be followed. These principles include sex disaggregation of performance indicators relating to individuals.

5. The following points may be noted in respect of the contents of **Chapter II** of Outcome Budget 2012-13 giving targets for 2012-13:-

- (i) The description of items should match with the description shown for the different items in the Statement of Budget Estimates (SBE) as included in Expenditure Budget Vol. II of the Budget 2012-13. However minor items may be clubbed to avoid cluttering up and focusing attention on significant items.

- (ii) The terms “complementary extra-budgetary resources” refers to the resources committed for the purpose by the entities other than the Central Government. Typically, it would include matching share from the State Governments for Centrally Sponsored Schemes or resource contribution by Public Sector Undertakings or by private parties in the case of Public Private Partnership projects.
- (iii) There should be a separate table for each Central Public Sector Enterprise (CPSE) under the administrative control of the Ministry, with itemized listing of major projects in hand. The Outcome Budget should be prepared on the basis of the Central Plan Outlay comprising of both the Gross Budgetary support component as well as the Internal & Extra Budgetary Resources (IEBR) component of the Central Plan Outlay. Thus, the Outcome Budget in respect of CPSEs may be prepared even if there is no budgetary support.
- (iv) Wherever a Ministry/Department has large autonomous Bodies substantially dependent upon Government for financial support, separate tables may also be considered for each such organization as per the assessment of the Ministry/Department.
- (v) The tables concerning CPSEs or Autonomous Bodies should list out important projects in hand give such details as sanctioned cost, scheduled date of completion, total cumulative expenditure till the beginning of the year, total expenditure planning during 2012-13, likely date of completion, and the related “outputs” and “outcomes”. The latter should be sex-disaggregated where they relate to projects oriented to individuals.
- (vi) The ‘final outcome’ need not necessarily be co-terminus with the annual outlays and ‘intermediate physical outputs’. ‘Final outcomes’ may span a longer time frame than the annual final outlays and corresponding intermediate outputs. Wherever the ‘final outcomes’ are estimated to take longer than one year, the estimated time frame should be clearly indicated. In case, the gestation is four to five years or longer, the ‘partial outcomes’ need to be tracked on an annual basis to ensure that the ‘final outcomes’ once indicated as achievable after five years are not forgotten or mechanically repeated in the document from one year to the other, and that the progress made towards achieving the final goal is reflected. Information should be provided whether the project is in the ‘initial’ stage, ‘intermediate’ stage or ‘final’ stage.
- (vii) Wherever ‘physical outputs’ are in a sense the ‘final outcomes’, assessment of ‘quality of output’ through ‘appropriate indicators of quality’ should be brought out.
- (viii) Wherever ‘final outcomes’ are not the direct results of the annual outlays and are the cumulative effect of past several years’ outlays, this should be clearly explained.
- (ix) The ‘final outcome’ component of the Outcome Budget need not necessarily have yearly targets, as final outcomes will vary by Ministry and Programme. ‘Final Outcome’ wherever possible can be measured in a five year time frame in line with

five year Plans. The 'partial outcome' may be mentioned in these cases in the Outcome Budget of that year.

- (x) Where the 'final outcomes' are not measurable and quantifiable, the likely benefit that will accrue may be incorporated.
- (xi) The explanatory notes should attempt to bring out the role and financial commitment of other agencies that is required to fructify the intended outcomes of a particular scheme of the Ministry/Department, even though such agencies may or may not be directly involved in the implementation and may be providing complementary services.
- (xii) Non-Plan expenditures are necessary to maintain the basic infrastructure without which the Plan interventions are bound to fail in meeting the intended objectives. Role of Non-Plan expenditure is therefore supplementary and facilitative. Hence, outcomes cannot be categorized as Plan outcomes and Non-Plan outcomes. The Outcome Budget 2012-13 will cover Non-Plan expenditure as far as possible. The column on Budget Support would have two sub-columns "Plan" and "Non-Plan" and the outcomes will be related to the total budget provision. Schemes/items in the Statement of Budget Estimates having only Non-Plan expenditures, which can be linked to certain deliverable outputs, should find mention in the Outcome Budget.

6. The outcomes reflect the ultimate aims of Government policy through budgetary support, tax exemption/concessions and preferential treatment in procurement of goods and services. It would be desirable if the Ministries/Departments may include a chapter in the Outcome Budget detailing such extra-budgetary measures and their impact. The revenue forgone in promotion of certain policy objectives is defined as 'tax expenditures' and it would be useful if the impact of this implicit expenditure is also assessed.

Certain presentational features:

7. It is desirable that the above documents brought out by different Ministries/Departments have a common level of detailing, at least for a minimum set of disclosure parameters; separately in Hindi and English; be reader-friendly and adopt certain common printing formats. Accordingly, the following may be kept in view:

- In the case of Departments having total budget provision of less than ₹100 crore (as per the netted figure shown in the Expenditure Budget Vol. II), all amounts may be shown in "₹ in lakh" with two decimal places. For others, the amount may be shown in "₹ in crore" with two decimal places. The amounts may be shown with comma separators.
- Each page may be given a running header giving the chapter number, title and page number running for the whole document from the 1st page of Chapter I. The documents may be printed on the size of paper used for Detailed Demands for Grants.

- Any other addition/alteration, inclusion of graphics/charts etc. to improve readability of the document.

8. However, the above guidelines are not intended to prescribe a rigid format. These are indicative of minimum disclosure requirements and do not preclude any value addition that the Ministries/Departments decide to carry out on their own.

Planning for future refinements

9. The Ministries / Departments are advised to put in place, if not already there, systems of data collection, with the help of specialized agencies wherever necessary, for the purpose of (i) developing measurable 'indices of performance' to measure and assess quality of implementation; (ii) developing norms of standard unit cost of delivery of a service; (iii) quantification/factoring in of environmental outcomes; (iv) quantification of community and empowerment outcomes through social capital formation; (v) quantification of impact of funds earmarked for publicity/awareness generation; and (vi) disaggregation, by sex and other relevant factors, of indicators of performance and impact. This will not only involve collection of data on past trends but also on present developments in markets and technology. The Ministries/Departments are encouraged to make use of the services of the Cost Accounts Branch of this Department in addressing the costing issues.

Independent Evaluation

10. The Ministries/Departments may engage independent evaluators and assessment agencies for scrutiny/evaluation of the achievements against physical outputs and final outcomes of major flagship schemes. Due care may be taken to avoid duplication of efforts with evaluation studies conducted by the Planning Commission or the Department of Programme Implementation.

Time schedule and responsibility

11. The Outcome Budget 2012-13 documents should be laid before both the Houses of Parliament, after final approval of the Minister-in-charge, to ensure that the process is complete before Houses go into recess latest by March, 2012 or such date as may be necessary. In exceptional cases, where laying of documents is not feasible, these may be circulated to Hon'ble Members of Parliament through the Secretariat of the House. These should be available to the Departmental Standing Committees of Parliament for examination during the recess period. The Ministries/Departments should also place these documents in the public domain by putting it on their website after presentation in Parliament.

12. Responsibility for preparation of this document will rest essentially with the Ministries/Departments. The Financial Adviser of the Ministry/Department will be the nodal officer for coordinating the whole exercise and organizing 'need-based consultations' with various officers whether within the administrative Ministry/Department, or with the Ministry of Finance, the Planning Commission and outside experts, with due regard to the confidentiality of the budget process. Head of various Divisions handling different schemes may be instructed to

provide necessary draft write-ups and other material to the Financial Advisor sufficiently in advance. **The draft Outcome Budget 2012-13 in respect of "Flagship Programmes" may be got vetted from the Department of Expenditure as well as from the Planning Commission.**

Follow up action after presentation of Outcome Budget

13. The real value of Outcome Budget lies in its utility as a policy tool to establish effective linkage with allocation and disbursement of public funds on the basis of measurable performance.

14. As mentioned in paragraph 4 above, the Ministries/Departments should indicate their monitoring mechanism and the public information system in the Outcome Budget. This will result in periodic progress reports being made available to the Ministry/Department by the implementing agencies. This next logical step would be to link release of funds with progress in achieving monitorable physical progress against commitments made in the Outcome Budget.

15. As the Ministries are aware, Rule 212 of the General Financial Rules, 2005 introduced significant changes in the system of "Utilization Certificates". Besides financial certification of having fully spent the amount for approved purposes, the Utilization Certificate should also disclose whether the specified, quantified and qualitative targets that should have been reached against the amount utilized, were in fact reached, and if not, the reasons therefor. Utilization Certificates should contain an output based performance assessment instead of input based performance assessment.

16. Accordingly, the Ministries/Departments should revise the guidelines and practices applicable to their schemes to ensure a staggered and controlled release of funds. In combination with other expenditure management measures like e-banking, it should be feasible to ensure that funds are made available in time for actual requirement and that the funds are neither delayed, not diverted nor parked outside Government account.



(Madhulika P. Sukul)

Joint Secretary to the Govt. of India

All Secretaries to the Government of India
All Financial Advisers to the Ministries / Departments
All Heads of accounting wings in the Ministries/Departments

Copy to:- Member Secretary, Planning Commission

ANNEXURE I

LIST OF DEMAND/APPROPRIATIONS IN RESPECT OF WHICH OUTCOME BUDGET IS NOT MANDATORY

The Outcome Budget 2012-13 is intended to cover the entire Central Plan Outlay (Gross Budget Support and Internal and Extra Budgetary Resources) and connected Non-Plan provisions that are amenable to Outcome Budgeting. In general, a Ministry/Department may exclude the "Assistance to State Plan" component of its Plan Budget from the scope of Outcome Budget. The following demand/appropriations are specifically exempted from the purview of outcome budgeting:

Ministry of Defence.
Defence Pensions
Defence Services-Army
Defence Services – Navy
Defence Services – Air Force
Defence Ordnance Factories
Defence Services Research and Development
Capital Outlay on Defence Services
Interest Payments
Transfer to State and Union Territory Governments
Loans to Government Servants etc.
Repayment of Debt
Pensions
Indian Audit and Accounts Department
Cabinet
Transfers to Union Territory Governments
Election Commission
Supreme Court of India
Ministry of Parliamentary Affairs
Ministry of Personnel, Public Grievances and Pensions
Staff, Household and Allowances of the President
Lok Sabha
Rajya Sabha
Union Public Service Commission
Secretariat of the Vice President
Andaman & Nicobar Islands
Chandigarh
Dadra & Nagar Haveli
Daman & Diu
Lakshadweep

Annexure II

FORMAT OF TABLES IN CHAPTER II OF OUTCOME BUDGET 2012-13

(₹ in crores or in lakhs, as prescribed)

S.No.	Name of Scheme/ Programme	Objective/ Outcome	Outlay 2012-13			Quantifiable Deliverables / Physical Outputs	Projected Outcomes	Processes/ Timelines	Remarks/Risk Factors
			4(i)	4(ii)	4(iii)				
1	2	3	4			5	6	7	8
			Non-Plan Budget	Plan Budget	Complementary Extra-Budgetary Resources				

Notes:

1. Items in Column 2 shall be as per Statement of Budget Estimate(SBE) included in Expenditure Budget Vol. II. Major programmes listed in the SBE must be shown separately, while smaller items of SBE may be conveniently clubbed. An exercise to weed out schemes with sub-critical financial outlays or merge them appropriately into major programmes is separately being undertaken.
2. Figures in Column 4(i) and 4(ii) as per Statement of Budget Estimate(SBE) included in Expenditure Budget Vol. II with Plan Budget figure including the amount allocable for NE out of lump sum allocation.
3. Figures in Column 4(iii) complementary extra-budgetary resources means expenditures committed for the purpose by entities other than the Central Government. Typically, it would include matching share from the State Government for Centrally sponsored schemes or resources contribution by public sector undertakings or resources contributed by private parties in the case of public private partnership projects. Thus, it will include the IEBR figure in respect of CPSEs as per Statement of Budget Estimate included in Expenditure Budget Vol. II, which may be explained through a footnote.