Post Budget developments

2.35 The NCMP has pledged to provide livelihood security through guaranteed minimum 100 days' employment to people in rural areas. The NREG bill was passed by Parliament in August 2005 and the implementation arrangements were put in place. International oil prices, with brief respites, continue to remain high, posing a challenge to the macro-economic management in general and the financial health of public sector oil companies in particular. Prices of petroleum products were revised twice on June 20, 2005 and September 6, 2005. The burden of the adverse impact of the rise in international oil prices was borne equitably by the Government and public sector oil companies, both upstream and downstream. The oil companies have posted cash losses and are estimated to be saddled with 'under-recoveries' to the extent of about Rs.40,000 crore in 2005-06. As per the decision taken at the time of last revision of prices on September 6, the Government decided to absorb a part of the burden through the issue of special oil bonds. An amount of Rs. 5,750 crore has been provisioned in the supplementary demand for grants for this purpose.

2.36 To overcome the serious infrastructure deficit that has been constraining the economy from realising its full growth potential, a scheme of viability gap funding has been envisaged. The public-private partnership (PPP) infrastructure projects at the margin that would otherwise not have taken off are being facilitated through a capital grant (not exceeding 20 per cent of total cost) at the stage of construction. With the establishment and commencement of operations of IIFCL, the SPV for infrastructure financing, the sector is likely to get the much-awaited long-term finances.

2.37 The Budget for 2005-06 had cautioned that outlays do not necessarily translate into outcomes. With a view to facilitate civil society's active involvement in the development process, an outcome budget was unveiled on August 25, 2005, which provides a framework of monitorable performance indicators for the plan programmes. This, together with independent and in-depth evaluation of the plan schemes and programmes once every five years, would provide transparency and accountability and enable the citizens to objectively judge the performance of the schemes, which remains a critical element in the working of a democratic polity. (Box 2.5)

Box 2.5 : Outcome Budget

A system of performance budgeting by Ministries handling development programmes was introduced in 1969 following the recommendations of the Administrative Reforms Commission. For long, a need has been felt to address certain weaknesses that have crept into the performance budgeting framework such as lack of clear one-to-one relationship between the financial and the performance budgets and inadequate target-setting in physical terms for the ensuing year. Besides, there is a growing concern to track not just the more readily measurable intermediate physical "outputs" but the "outcomes", which are the end objectives of State intervention, as articulated by the Finance Minister in Para 100 of his 2005-06 Budget Speech. Outcome Budget 2005-06, with a conceptual framework and a broad roadmap of future reforms in this area, was accordingly presented to Parliament on August 25, 2005.

Outlays or inputs; outputs; outcomes or impact:

The process of conversion of outlays into outcomes is a long one with several intermediate stages and complementary resources required in achieving intended impact. The cause and effect chain is not always direct, and several environmental factors influence the actual impact and outcomes.

Outlays are financial resources deployed for achieving certain outcomes. Part of the money may be directly from the budget and part from other stakeholders such as State Governments, public sector undertakings (PSUs) or even private parties in the growing area of PPP. **Inputs** are physical resources subsumed under outlays.

Outputs are a measure of the physical quantity of the goods or services produced through a government scheme or programme. They are usually an intermediate stage between 'outlays' and 'outcomes'. For example, construction of a school building is the 'output', while increase in the literacy rate is the 'final outcome' or impact.

Outcomes or impact are the end results of various Government initiatives and interventions. Going beyond mere 'outputs', they cover the quality and effectiveness of the goods or services produced as a consequence of an intervention. In poverty monitoring, impact is placed at a higher level than outcomes. Overall well-being or living standards of the poor is treated as a higher level impact with outcome defined as poor's access to and use of goods and services.

Goals, indicators and targets have been drawn up for various schemes and programmes. The Ministries/ Departments would engage independent evaluators and assessment agencies for scrutiny/evaluation of the achievements against physical outputs and final outcomes of major flagship schemes. Guidelines for preparation of the outcome budget by various Ministries have been issued. The Outcome Budget 2006-07 and the Performance Budget 2005-06 would shortly be presented to Parliament by the Ministries/Departments.