

Applying RBM to Sector Management

Cedric Saldanha

Melbourne

(613) 98592712

csaldanha@netspace.net.au

The Sector

- Government manages its economy and the provision of essential services through 'sectors'
- Mainly three Categories –
 - **Economic Sectors**: agriculture, fisheries, forestry, mining, industry, etc
 - **Social Sectors**: education, health, etc
 - **Supporting Sectors**: transport, utilities, finance, etc

Key Concept – The Sector Outcomes

- **Economic Sectors** – mainly about income, both national and individual
 - production, productivity, employment
- **Social Sectors** – mainly about quality of life
 - mortality, morbidity, literacy
- **Supporting Sectors** – mainly about efficiencies and contributory outcomes
 - availability/cost of access, utilities and finance; air quality, etc.

Box 1: Sample Outputs and Outcomes/Impacts in Various Sectors

Indicative Outputs

Indicative Outcomes

Agriculture

- Irrigation systems construction
- System operation & maintenance
- Water delivery
- Extension Services to Farmers

- Agricultural production
- Agricultural yields
- Farmer incomes
- Export earnings

Transport

- New road construction
- Road maintenance
- Traffic management
- Regulation Enforcement

- Reductions in congestion
- Reductions in journey time/costs
- Road safety
- Road sector share of passenger traffic

Health

- Health care services
- Drug availability
- Health education progr

- Mortality rates
- Morbidity rates
- Fertility rates

Education

- Enrollments
- Graduations
- Female student coverage

- Literacy rate
- Educated/skilled labor force
- Profile of female entry into labor market

Energy

- Installed capacity
- Distribution coverage
- Minimizing system losses
- Revenues

- Capacity utilization
- Low cost energy
- Per capita consumption
- Access to electricity

Contributors to Sector Outcomes

- **Contributors are Multiple**
 - Public – other government agencies
 - Private-for-Profit and Voluntary
 - Community-based
 - Donors
- **Hence the need and importance of effective coordination**

Outcomes require Multiple Outputs – Multiple Contributors

Inputs

Outputs

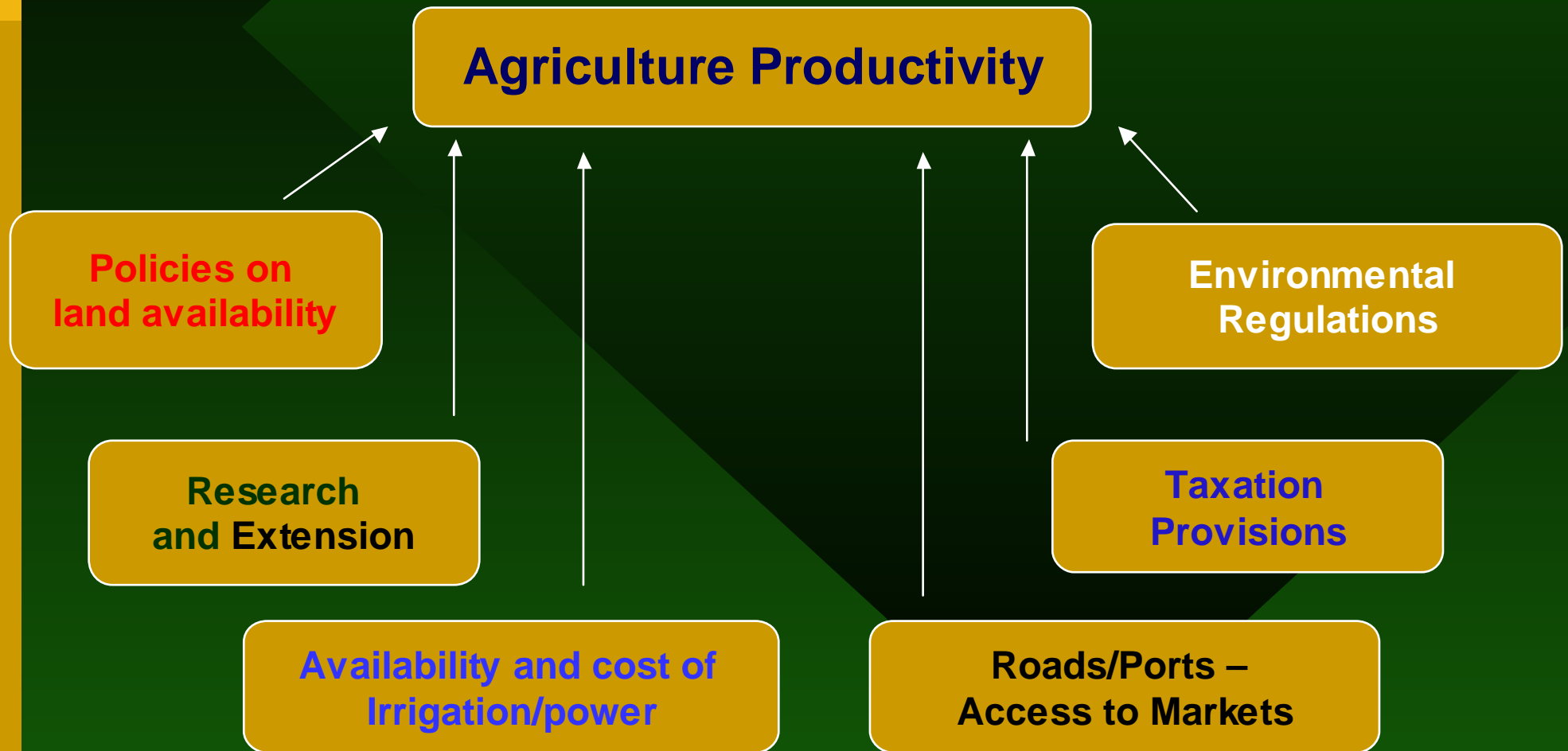
Intermediate Outcomes

National Strategic Outcomes



Outcomes require

Multiple Types of Outputs / Contributors



Sector's Lead Agency

- **A single lead public sector agency is necessary**
- **Functions of the Lead Agency**
 - establish sector priorities and goals
 - make policies
 - develop and implement sector strategies
 - consolidate and monitor budget commitments
 - regulate activity
 - promote efficiencies and reforms
 - coordinate donor programs and projects

What does a Sector Approach give us?

- Provides **coherency of objectives** (all work to the same key outcomes)
- **Focuses resources** on priorities
- Supports **single strategic leadership** – by the sectoral agency
- Helps **align key sectoral activity and investment**
- Provides mechanism for **integrating sectoral expenditure into the budgetary framework**

Characteristics of the Sector Approach

- It takes a **long term approach** (3 to 5 year timeframe)
- Focuses **on Outcomes**, not just Outputs
- It gets all key stakeholders to agree on a **common set** of outcome priorities
- It avoids the pitfalls of an ad hoc and **uncoordinated 'project approach'** eg differing priorities, conflicting approaches, special project arrangements etc
- It ensures no capital expenditure is invested unless there is provision and capacity for the follow up **recurrent expenditure**

Key Elements of the Sector Approach

- A Set of **Policy Statements** reflecting Government's strategic approach
- Priority **Sectoral Outcomes** targeted over a 3 to 5 year period
- Identification of **Constraints** (policy, service, institutional, infrastructural, budgetary) to achievement of outcomes
- A **Sector Plan** or **Roadmap of Outputs** to address constraints and ensure achievement of the Sectoral Outcomes within the timeframe
- A consolidated **Budget Framework** for a 3 to 5 year period, which includes both capital and recurrent budgeted expenditures in the sector, irrespective of the institution concerned.
- A **Performance Monitoring System** to ensure Output and Outcomes achievement

The Sector Approach and Decentralization

- The Sector Approach makes **Lead Sector Agency** accountable for Outcomes
- Decentralization makes **Local Government** accountable for Outcomes
- How do we **integrate** the Sector Approach with Decentralization?

Sector Approach and Decentralization

- Clarifying Roles becomes essential
 - Sector Agency –
 - Setting National Sector Outcomes
 - Policy coordination
 - Budget coordination
 - Monitoring
 - Local Government –
 - Local strategies to achieve outcomes
 - Focuses on service delivery

Step 1 – Choose Priority Sector Outcomes

1.1 Choose Priority Outcome Indicators

- Must indicate important improvements in Quality of Life of the People
- Must be achievable over 3 to 5 years
- Must be monitorable
- Must be no more than 5 to 8 indicators
- Must be agreed to by all key stakeholders

Step 1 – Choose Priority Sector Outcomes (contd)

1.2 Establish Current Performance on Selected Outcome Indicators

- Provides a baseline for assessing improvement
- Also provides a basis for establishing the Performance Gap that must be closed

Step 1 – Choose Priority Sector Outcomes (contd)

1.3 Establish desired Outcome Performance 3 to 5 years hence

- Use 'past performance' or 'comparator performance' to establish target
- Be realistic – targets should be achievable within available resources and institutional capacity

Sector Performance Targets

Examples from Various Sectors

Sector Outcome	Current Performance <i>(As of a specific date. Insert target – no just indicator description)</i>	Targeted Performance <i>(Specify by which date)</i>
1. Education - Enrolment Rates in Primary School	In January 2005 approximately 65% of children under 10 years are enrolled.	By December 2009, 75% of children under 10 years will be enrolled.
2. Health – Access to Health Services	In January 2005, there is 1 urban clinic for 20,000 population and 1 rural clinic per 5000 pop	By December 2009, there will be 1 urban clinic for 10,000 pop and 1 rural clinic per 2000 pop
Immunization	In January 2005, immunization rate for infectious diseases (malaria, TB etc) was approximately 60%	By December 2005, immunization rate will be raised to 75%.
3.		

Exercise –

Sector Performance Targets

Name of Sector:.....

Sector Outcome	Current Performance (As of a specific date. Insert target – no just indicator description)	Targeted Performance (Specify by which date)
1.		
2.		
3.		
4.		

Step 2 - Performance Gap or Constraints Analysis

2.1 Establish the 'Gap' on the basis of current and Desired Performance

- The more precise and tangible the gap is, the greater its value as a goal
- It will provide proportionate clarity of direction
- It will facilitate Constraints analysis
- It will more easily galvanize action and investment

Examples of Sector Performance Gaps -

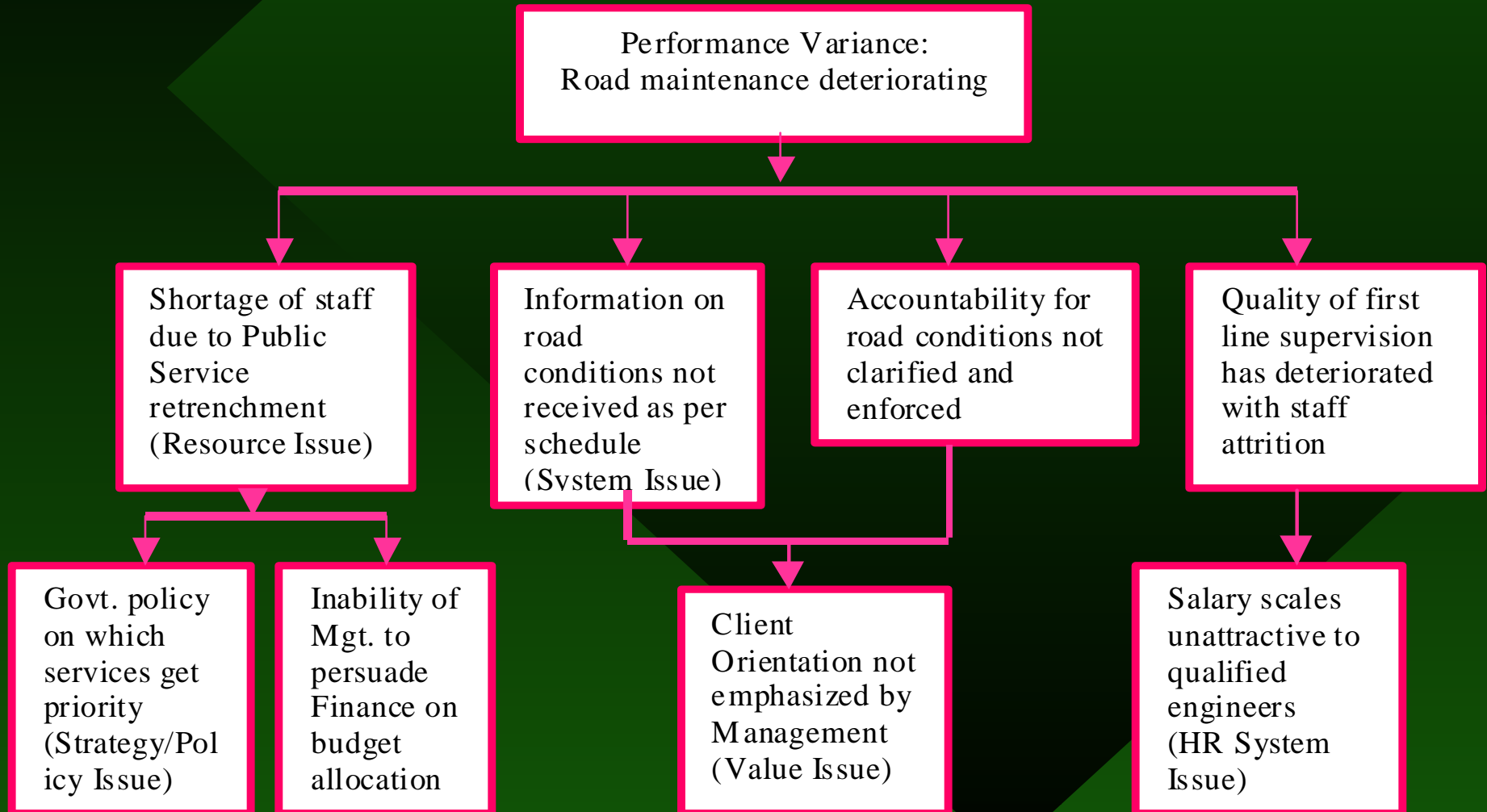
- **Investment applications have fallen over the last 12 months compared to a neighboring country with similar socio-economic characteristics**
- **Production and exports of specific crops have remained stagnant over the last 24 months despite consistent weather patterns**
- **Quality of road maintenance has fallen over the last year as evidenced by increased potholes and related traffic congestion**
- **The female entrants for primary education remains at 30% of male entrants despite a specific education program for parents in this regard over the last two years**
- **Shortage of critical drugs in medical clinics in specified rural areas**
- **City cleanliness continues to be below specified standards with regard to littering and garbage clearance**

Step 2 - Performance Gap or Constraints Analysis (contd)

2.2 Problem Tree Analysis

- Seek causes for the performance gap
- Causes will generally fall within the following categories:
 - Political commitment
 - Policies
 - Institutional Capacities
 - Infrastructure
 - Resource availability
- Involve as many of the key stakeholders as is possible in the causal analysis. Their understanding of the causes is vital to their consequent commitment to action

Figure 1.
**A Simplified Cause-Effect Analysis of the Public Works Sector
in a Developing Country**



Step 3 – Preparing the Sector Plan or Roadmap

3.1 Sequence the Outputs / Actions to address the Causes of the Performance Gaps (eg policy reform, infra development, capacity building..)

- The identified outputs which are needed to close the performance gap should be identified with their interdependencies
- Based on this, they should be sequenced in order of implementation (eg you should not make drugs available until the Village Clinics are established and staffed)

Step 3 – Preparing the Sector Plan or Roadmap (contd)

3.2 Cost the Planned Outputs

- Assess both capital and recurrent expenditure requirement
- This will be the basis for the budgetary framework for the sector
- It will also indicate the dimensions of investment required and the need, if any, to seek external donor funding.

Step 3 – Preparing the Sector Plan or Roadmap (contd)

3.3 Assignment of Responsibility for Output Delivery

- Distribution will first be through agreement among central, sectoral and local government agencies.
- This agreement is essential to ensure clarity of accountability, avoidance of overlap, and smooth coordination.
- Donors then enter the picture to agree with government which outputs they will support. Again, this agreement is essential to avoid donor overlap, and promote more effective coordination

Step 4 – Develop the Consolidated Sectoral Budget

- Capital cost requirements
- Recurrent Cost Requirements
- Multi-year Budgetary Framework

Exercise – Sector Roadmap