

DEVELOPING PERFORMANCE INDICATORS FOR PUBLIC BUDGET PROGRAMMES AND EVALUATING THEIR EFFECTIVENESS

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Abstract. This paper examines the theoretical and practical aspects of developing performance indicators for programme budgeting. It argues that the rate of budget execution alone cannot fully demonstrate the effectiveness of a public programme. Instead, programme performance should be assessed through a combination of service outputs, coverage, quality and social outcomes. The paper proposes criteria for selecting indicators, discusses the reliability of performance data and considers how evaluation findings can inform subsequent budget decisions.

Keywords: programme budgeting, performance indicators, public expenditure, service quality, effectiveness, accountability, budget programme.

Introduction

Establishing a clear relationship between allocated resources and achieved results is essential to effective public expenditure management. The full use of budget funds does not necessarily mean that a programme has achieved its objectives. In education, for example, expenditure reports may show that schools have been renovated or equipped. Additional evidence is needed to determine whether access to education and learning outcomes have improved.

Performance indicators should therefore be treated as tools for decision-making rather than figures included solely for reporting purposes. They should reflect policy objectives, support the monitoring of programme implementation and provide evidence for future resource allocation. The OECD similarly emphasises the use of performance information to inform budget decisions and strengthen public accountability [1].

Main Discussion

A budget programme can be described through a logical sequence: **resources** → **activities** → **outputs** → **intermediate outcomes** → **final social outcomes**. Each stage answers a different question. Resource indicators show how much funding has been allocated; output indicators describe the services or products delivered; and outcome indicators assess the changes to which the programme is intended to contribute.

Distinguishing between these indicator types improves the quality of evaluation. In an education programme, the number of renovated schools measures an immediate output. The share of children using newly created places reflects service coverage. Changes in learning outcomes provide evidence of progress towards a broader social objective. Analysing these measures together offers a clearer view of the relationship between expenditure and results.

Table 1. Illustrative indicators for an education budget programme

Indicator type	Key question	Example
Resources	How much funding was allocated?	Budget allocation to the programme
Activities	What work was carried out?	Renovation and equipment purchases
Outputs	What was directly delivered?	Number of school places made available

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Coverage	Who benefited from the service?	Share of children using the new places
Quality	Did the service meet the required standard?	Share of classrooms meeting equipment standards
Final outcomes	What broader change occurred?	Changes in access to education and learning outcomes

Source: Developed by the author based on the programme budgeting logic model.

Relevance to the programme objective should be the primary criterion for selecting an indicator. Each indicator needs a clear definition, a unit of measurement, a baseline and a time-bound target. The institution responsible for collecting the data, the calculation method and the reporting frequency should also be specified in advance. Without these elements, comparisons across periods may be unreliable.

A larger number of indicators does not necessarily produce a better assessment. Numerous overlapping measures can obscure a programme's main objective and increase the reporting burden. A limited set of meaningful and verifiable indicators is more useful for identifying changes that require management attention. OECD guidance likewise stresses that performance information should be clear, linked to strategic objectives and suitable for comparing actual results with targets [1].

Evaluation must also distinguish between factors directly controlled by programme managers and factors outside their control. In an employment programme, the number of people completing vocational training is closely related to implementation. Their subsequent employment rate also depends on economic conditions, local employers and labour market demand. It would therefore be inappropriate to attribute every change in employment solely to the programme. Evaluators should explain the programme's likely contribution while acknowledging external influences.

Combining financial and performance data makes it possible to estimate the cost per unit of service. Dividing programme expenditure by the number of services delivered, for example, provides a measure of unit cost. This figure should not be interpreted in isolation: a lower cost may reflect either greater efficiency or a decline in service quality. Cost, coverage and quality must therefore be assessed together.

Uzbekistan has established a policy framework for expanding programme budgeting. The Strategy for Improving the Public Financial Management System for 2025–2030 calls for broader use of results-oriented budgeting and a transition to a comprehensive programme budgeting mechanism by 2030 [2]. The rules governing the preparation and execution of the State Budget also contain provisions concerning development programmes, objectives and performance indicators [3]. The practical value of these requirements depends on the quality of the indicators and the extent to which performance information is used in budget discussions.

Against this background, an **indicator profile** could be prepared for each key measure in a budget programme. It should specify the indicator's definition, calculation formula, data source, responsible institution, baseline, targets and reporting period. When actual performance differs from the target, the report should explain the reasons and identify appropriate management responses rather than merely record the difference.

Performance indicators become useful management tools when evaluation findings feed into the next budget cycle. Failure to meet a target should not automatically lead to a reduction in funding. In some cases, weak results may reflect insufficient resources, unexpectedly high demand or changed external conditions. Decision-makers should examine these causes, review programme activities and assess alternative responses before changing allocations.

Conclusion

Performance indicators help reveal the social and economic value of public expenditure under programme budgeting. Their usefulness depends less on their number than on their relevance, clear measurement methods and reliable data. Connecting information on resources, outputs, coverage, quality and outcomes enables a more balanced assessment of budget programmes. In Uzbekistan, developing standard indicator profiles, linking financial and sectoral data, and using evaluation findings in subsequent budget decisions could strengthen the effectiveness and accountability of public expenditure.

References

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