

Programme-based budgeting: The rollout of complex reform in Africa

Country perspectives from the WAEMU region and beyond

Programme-based budgeting in Africa

The budget is the most important policy statement of a government. It outlines policy direction, allocates funding to spending programmes that governments have promised to deliver, and provides the foundation for management responsibility and accountability.

To better align priorities and spending plans, and improve value for money, amongst others, governments in Africa and elsewhere have invested significantly in public finance reforms, especially in the formulation of the budget. Such reforms include the shift from line-item budgeting to programme-based budgeting and also changing from annual to medium-term budgeting. Programme-based budgeting (or PBB) is a model of performance budgeting that seeks to strengthen the linkages between the strategic priorities of a government and its spending plans, by arranging expected outputs and outcomes into a programmatic structure and allocating funds accordingly. Theoretically, the more advanced forms of PBB will identify the manager's responsible for each spending programme, and base allocations on performance. How well a manager prepares and implements his/her spending plans, and the extent to which he/she is rewarded for good performance or held accountable for poor performance, is therefore central to the success of programme-based budgeting. Unfortunately, the focus of programme-based budgeting reform seldom emphasises the performance of the manager, but instead is focused on the form and presentation of the budget, with very little focus on functionality.

In April 2018, CABRI held a policy (practices and procedures) dialogue to examine the status of PBB in the West African Economic and Monetary Union (WAEMU)¹ region, and more specifically, collaborate with member countries to better understand the challenges they were facing in making progress towards the successful implementation of the shift from line-item to PBB.

¹ Five of the eight WAEMU member countries are also members of CABRI. WAEMU member countries that attended the PBB workshop are: Benin, Burkina Faso, Côte d'Ivoire, Mali, and Togo (not a CABRI member).

As of 2013, over 80 percent of African countries had introduced or had committed to introduce PBB. This trend had been driven by a combination of internal and external factors aligned to broader public finance reforms and donor conditionality (CABRI 2013).

Box 1: West African Economic and Monetary Union

WAEMU is a regional economic union created in 1994: it consists of eight member countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. WAEMU serves both the function of a monetary union and a free trade zone and is a vehicle towards greater integration in the West African region. Additionally, WAEMU has sought to modernise the public financial management (PFM) systems of its member states through the introduction of directives that would harmonise legislation and practice in various areas of PFM. The first set of directives were adopted in 2000 and were considered to have shortcomings in terms of allowing member states sufficient margins of adoption in the implementation of the directives. It was these failures in the first set of directives that informed the added flexibility that has been injected in the 2009 WAEMU directives. In line with international trends, Directive no. 6 on budget laws presents new rules on the preparation, execution and evaluation of national budgets, advocating greater effectiveness in public expenditure and associated public policy (WAEMU Commission 2017). It thus presents a model organic budget law that entails the adoption of a PBB system where annual budget appropriations are conducted in programme format, and annual and medium-term performance targets and annual performance reports are developed.

Source: CABRI (2013)

PBB reforms have also been driven by sub-regional economic community agreements, such as the WAEMU PFM Directives that cover budget formulation, transparency, accounting and auditing directives that member countries need to adopt (Box 1). The CABRI policy dialogue in Abidjan in April 2018 with five WAEMU member countries and peers from Mauritania, Seychelles, Morocco and Tunisia reviewed the extent that PBB reforms had been adopted and implemented, and the types of contextual challenges that the five WAEMU member countries face when shifting from line-item to programme-based budgeting, and the extent that the reform had been implemented. Each of the non-WAEMU peer countries also gave an overview of PBB reform in their countries, with a focus on change management, country adaptation, as well as autonomy and accountability. The dialogue went beyond the technical aspects of the reform, by also examining the complexities of coordination, inclusivity, change management – all challenges that are likely to arise when introducing reforms that fundamentally change the way things were done in the past.

This paper draws on the insights from the Abidjan workshop, research and joint country case studies undertaken by CABRI, and other literature.

A perspective from the WAEMU region

The adoption of the WAEMU directives put in place a framework for the efficient, rigorous and transparent management of public funds, within a staggered timeframe. One of the precepts of the directives seeks to promote a more results-oriented management of the budget. Therefore, since 2009, the directives have put in place a framework requiring member states to adopt PBB by 2017, allowing a transition period of five years. By introducing PBB, the member states of WAEMU aim to:

- Strengthen the relationship between resource allocations and expected results;
- Diffuse a results-based culture into public administration by refocusing the budget from a resource budget to a performance driven budget;
- Enhance the accountability framework and transparency in the management of public funds; and
- Enhance the quality and effectiveness of public expenditure.

The pace that member states have adopted PBB has been varied and slower than anticipated according to an assessment by the WAEMU Commission in 2017. PBB reforms were first introduced in Burkina Faso and Mali in 1997 and 1994, respectively, but significant challenges remain in achieving quality public expenditure, amongst others.

Burkina Faso is the only WAEMU member country to

have adopted PBB in line with the calendar set by WAEMU. Côte d'Ivoire and Senegal did not meet the January 2017 deadline. Mali and Niger have scheduled their transition for 2018. Benin will roll out the reform in 2018 with five pilot ministries with the aim of full implementation in 2019. Guinea Bissau has similarly commenced its PBB reform with five pilot ministries (WAEMU Commission 2017).

The implementation of PBB, as defined by WAEMU, goes beyond the mere presentation and adoption of budget appropriations in a programmatic form.² It also requires that the medium-term expenditure forecasts are programme-based and align with annual budget expenditure forecasts. It requires the production of annual reports which are subsequently made available to Parliament, detailing the extent to which ministries and government departments have been able to execute their programmes and meet performance targets – a core part of the accountability framework that PBB seeks to engender.

The experience of PBB in OECD member countries (Box 2) provide important contextual lessons for WAEMU countries.

Box 2: Lessons from OECD's 20-year experience in PBB

- Even in instances where similar PBB models are embraced, different approaches to implementation are employed taking into account country context.
- The evaluation of programme performance should be inserted into the PBB framework from the beginning and performance indicators should be defined by sectoral ministries and not imposed. The role of the Ministry of Finance should be that of quality control.
- It should not merely be about documenting programme performance but using the information for subsequent programme design, to indicate inefficiencies, to identify where the merging of programmes is needed and where programmes need to be closed. It is important to inject performance into the decision-making process as opposed to only in the budget documentation.
- A performance orientation is not easily applicable to all aspects of government functions which range from the construction of roads to the provision of policy advice on foreign travel. Intangibles such as policy advice are problematic.

Source: OECD (2008)

2 There is no internationally recognised definition of PBB – each country or region tends to adopt its own definition and approach, which is appropriate given the differences in institutional contexts and the problems PBB is employed to solve.

Many OECD countries have achieved relatively high levels of functionality without necessarily complying with what are considered formal PBB laws and processes. These countries shape their systems around their realities and often have mechanisms and processes that look quite similar but that differ in important ways. Many developing countries do not have this flexibility, however, and are forced to comply with process requirements, often because of external pressure, even if such compliance does not yield improved PFM.

Professor Matt Andrews from Harvard University's Kennedy School writes that 'Reforms are often adopted in ways that garner external legitimacy – which is the goal – while still retaining much of the incumbent institutional structures ostensibly requiring change.' Through this process of decoupling, organisations and governments can be made to look better after reform even if they are no better in a functional sense. Countries adopting PBB also face the risk of undertaking complex reforms that require significant resources and time – taking on 'too much, too soon'. For instance, it is important that parliament and civil society have the capacity to utilise performance information and ministries, departments and agencies need to have the ability to translate policy priorities into programmes and spending plans, and implement accordingly.

Evidence of decoupling and countries taking on 'too much, too soon' was evident in all of the country presentations at the Abidjan workshop, with strong evidence of progress being made where local context influenced the design and pace of implementation.

Burkina Faso – political will is crucial

PBB was adopted in Burkina Faso in 1997, more than a decade before the launch of the WAEMU directives in 2009. This first phase of an attempt at PBB reform is considered to have been largely unsuccessful due to insufficient preparation for a reform that required multiple agents to adopt the new way that budgets were going to be prepared. Furthermore, PFM legislation in Burkina Faso was in conflict with the new budgeting structure that was being proposed, undermining the legal status of the PBB reform. Other challenges to the first phase reform in Burkina Faso included poorly developed targets and the effects of staff turnover.

The adoption of the WAEMU directives in 2009 is considered to be the second phase of PBB implementation in Burkina Faso, guided by the Commission's deadline of January 2017. This time round, officials adapted their approach and gained political backing. Burkina Faso's parliament played a critical role in this respect. Building on their past failure, the new approach included the establishment of a national steering committee, a dedicated technical secretariat and ministerial relay units to steer the reform. Furthermore, a guideline document and an implementation strategy provide a roadmap for

PBB implementation that defines pre-conditions and preliminary measures that need to be in place. Burkina Faso thus invested significantly in improving its readiness for PBB. Nonetheless, many challenges remain in realising a fully functional system. These include: the appointment of qualified programme managers; credible costing of programmes; and the streamlining of indicators.

PBB impacts on all stages of the PFM cycle, starting with strategic budget preparation and ending with audit and reporting. It therefore involves a wide range of agents. A change management strategy that promotes, and more importantly supports, the change in rules and procedures is needed. In the case of Burkina Faso, an extensive communications strategy with broad consultation was put in place. The reform was not the preserve of the finance ministry.

Mauritania considers the changes to its organic budget law to be an indication of political will, and an important ingredient to effectively transition to a more results-oriented budget

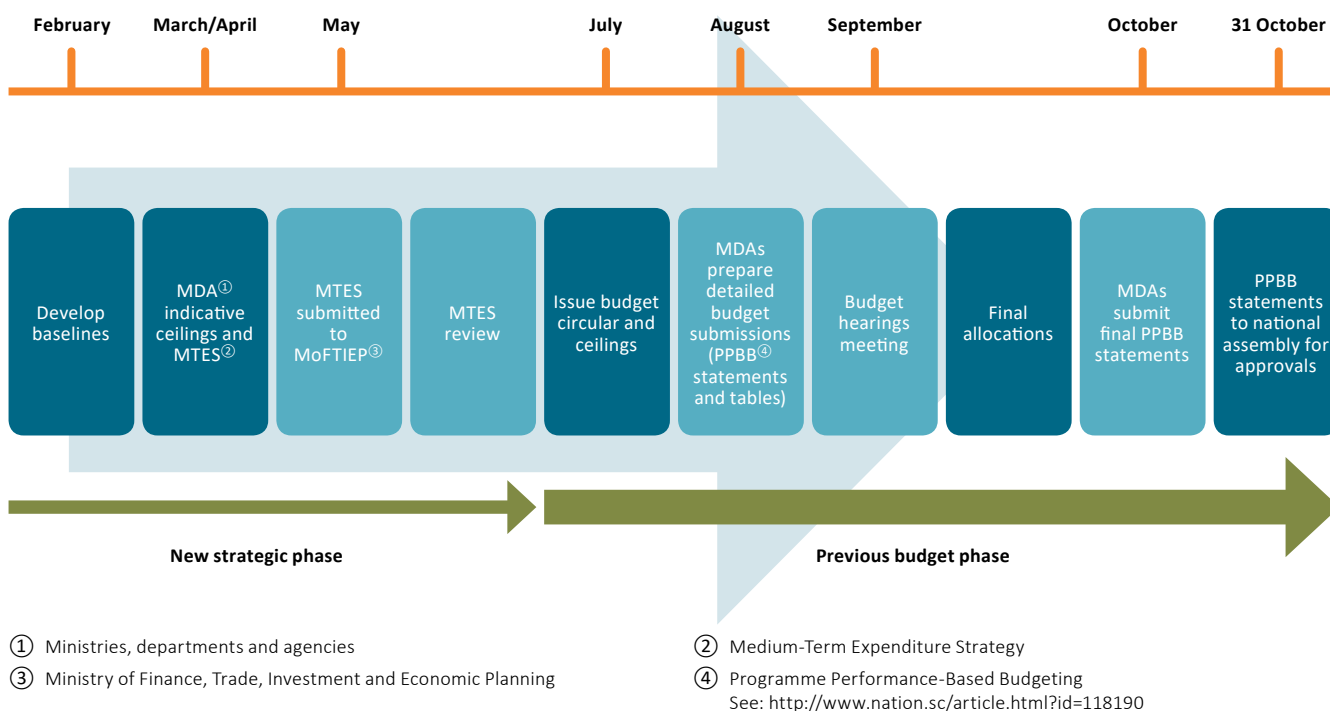
Seychelles – managing change

Similar to many other countries that had introduced PBB reforms, the Seychelles adopted PBB to strengthen the linkages between policy objectives and government spending plans, and specifically address weaknesses in strategic planning and budgeting and limited dialogue between the finance and line ministries. With the introduction of PBB, a strategic phase was inserted into the budget process (Figure 1) that included new elements and an earlier start to the budget process. It also brought changes to roles and responsibilities to better align with different planning, budgeting and service delivery mandates.

Whereas the budget preparation process had previously been unduly influenced (and dominated) by the accounts section, since the introduction of PBB, the input of ministers and heads of institutions are now a part of the process. The PBB process also brought about the participation of the programme managers in the process, where they are required to justify requirements for their programmes and be held accountable for the performance targets. One of the notable changes is that the process was no longer just about numbers on Excel spread sheets. Narratives that cover the strategic issues are now a central aspect of the process and the final document submitted to the Parliament.

The Seychelles opted for a gradual adoption of PBB in the form of a pilot approach instead of a 'big bang approach'. This decision was partly driven by limited technical capability. For instance, the budget unit in the finance ministry that was tasked to lead the reform employed only

Figure 1: The budget calendar in Seychelles



ten officials at the start of these reforms, who also had to undergo extensive technical training.

The line ministries included in the PBB pilot needed to develop clear articulations of their policy priorities, which meant the development of strategies and taking responsibility for prioritising specific programmes within their budgets.

The transition to PBB commenced in 2015 with a pilot phase with two portfolios – education, and agriculture and fisheries. This was followed by finance, housing and home affairs portfolios in 2016. The 2017 budget had all the other portfolios adopting PBB on a presentational basis. Although their budgets were prepared as programmes, they did not undergo the strategic phase, nor did they have performance targets. An additional five portfolios adopted the PBB fully in 2018. However, in keeping with the phased approach, all outstanding ministries, departments and agencies (MDAs) will be required to report on performance indicators in 2019 – the final phase of the reform. Given the technically demanding nature of PBB, on the job learning has been key to the implementation of the reform. This was complimented by a PBB training course at the local training institute, the Guy Morel Institute. The training was targeted towards different groups of individuals within the organisation. This helped in building capacity in the MDAs before the start of the piloting in their respective organisation. Targeted training was also prepared for legislators and civil society. These efforts, in addition to changing practices and procedures, have contributed to greater success in the implementation of PBB in Seychelles.

Challenges for the consolidation of PBB

The technical, administrative and change-management requirements of PBB make it a complex reform to implement. African countries have grappled with these various challenges, as was emphasised during the workshop. The technical challenges include the development and costing of programmes, the definition of clear and measurable policy objectives, and the development of a streamlined set of performance indicators. Burkina Faso, for instance, has over 1 500 performance indicators, which makes performance reporting a daunting task. On the other hand, obtaining systematic performance information for programme evaluation is a problem with which even countries like the Seychelles have had to grapple. Similarly, the weaknesses in Mauritania’s national statistics system limit the frequency and completeness of its data for the purpose of programme evaluation. Information gaps or information ‘surpluses’ (due to excessive numbers of reported indicators) can undermine the formulation, execution and evaluation of programmes.

A key administrative challenge relates to the alignment of existing organisational structures to the PBB framework. Organisational units and directorates need to shift from line-item (input) budgets to a programmatic approach, where policy priorities, objectives, and performance are the drivers for the allocation of resources. This requires a change to the way that public officials normally work. More specifically, programme budgeting will require, amongst other things: (i) the appointment or reassignment of programme managers; (ii) delegation

of responsibilities; (iii) allocation of funds to a spending programme; (iv) clear reporting requirements; and (v) an accountability framework to lead programmes and receive the necessary delegations for responsibilities and accountability.

Mali for instance, has grappled with defining the scope of the programme manager relative to that of the finance officer, while retaining clarity over who performs the function of the authorising officer. In practice, programme managers who are typically directors of departments, do not engage adequately with the PBB process, which therefore remains largely dominated by the directors of finance and administration as well as the statistics and planning units. Further, the fact that programme managers are reluctant to participate in PBB training in significant numbers further hinders the take up of the role of programme managers in PBB (CABRI 2014). It is increasingly clear that PBB is not a mere budget reform but is part of a wider and more ambitious public administration reform which requires a wide level of engagement beyond the finance ministry.

The human side of reform is routinely ignored or underestimated relative to the technical components of the reform. The limited buy-in or resistance of critical stakeholders such as spending entities, who are the implementers of the budget, and parliament, whose use of performance data in its oversight function is key to holding programme managers accountable, remain a challenge. In Morocco, blind compliance by spending entities without sufficiently understanding the essence and relevance of PBB posed challenges. Further, parliamentary scrutiny remained focused on the budget without delving into the performance data.

There is a recognition that more work is required in inculcating a 'new culture' in the budget scrutiny process, in particular by enhancing change management practices through the creation of synergies between relevant stakeholders in finance, the court of auditors and Parliament (Bengrine 2018). A key feature of the Tunisian approach has been broad ownership, which was pursued so as to instil the basic principles of PBB pending the new organic budget law that would formalise the transition to PBB. To this end, Tunisia developed a master plan that was validated by an inter-ministerial committee in 2010 and revised in 2013. The

master plan was subsequently converted into an abridged version (Ep Gabsi 2018).

Moving forward, considerable emphasis will need to be placed on the reporting and evaluation challenges if PBB is to effectively lead to strategic decision-making in the budget process. As it stands, most of the gains made through PBB have been largely at the budget formulation stage.

For the budget to more effectively contribute to national development, resources need to be allocated strategically. The PBB framework, where effectively implemented, enables this by promoting the alignment between policy, planning and budgeting. This will require countries to recognise the need to undertake organisational changes; develop various capabilities, including technical expertise; and also improve the co-ordination between multiple stakeholders. **African experience suggests that countries must therefore be modest in their approach and incorporate iteration and continuous adaptation of their reform strategy, within a gradual, phased approach to PBB implementation.**

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