

Taking hindsight : the status of Programme-based budgeting reform in Africa

CABRI workshop - Appropriation and diffusion of
Programme-based budgeting

10 - 11 April 2018

Abidjan, Côte d'Ivoire



Context



A trend towards Programme-based budgeting reforms in Africa

- Over 80% of African countries are introducing or have made a commitment to implement some type of PBB system.
- **Stated objective:** To align the socio-economic planning more closely with annual budgets/Medium Term Fiscal Framework (MTFF) and integrate a results-oriented culture.
- **Institutions:** A broad set of PFM reforms, external pressures, community directives (WAEMU/CEMAC)

...but progress is still somewhat limited.

- At this stage, there is not a single African country that has set up a complete PBB system.

Complete system:

- ✓ A system in which budget appropriations are adopted by programme;
- ✓ The MTEF (Medium Term Expenditure Framework) predictions are programme-based and are fully consistent with the annual budget expenditure forecasts;
- ✓ Ministries/Government departments prepare annual reports on the results of Programme-based budgeting implementation; and
- ✓ These reports are made available to the Parliament at the end of each financial year.

Programme-based budgeting outside of Africa

- Several OECD countries have attempted to introduce results-based budgeting systems, which often include Programme-based budgeting... but not always.
- Three of the most important aspects are:
 - Defining clear and measurable goals for all government programmes (either defined by the institutions or by the programmes within each institution)
 - The analysis of information on programme performance and the dissemination of this information to all the interested parties - Ministry of Finance, Office of the President/Prime Minister, Parliament, Civil Society...
 - The adaptation of control over expenditure implementation to give programme managers greater flexibility
- These three principles can be found in almost all cases but implementation modes are extremely diverse.



Lessons learned from PBB implementation outside of Africa

- We should begin by introducing performance indicators: they are defined by programme managers but subject to quality control by the Ministry of Finance.
- Performance information has to be analysed and widely distributed.
- Programme performance assessments should be introduced early on in the Programme-based budgeting process and should be used to adapt the programme design process, the definition of indicators, management procedures, etc.
- Control systems should be tailored to the needs of programme managers: decentralisation and simplification for simpler and more effective management.

The definition of PBB "programmes"

- The term "programmes" is defined in a practical and flexible manner; sometimes there are 2 or 3 different definitions of a programme within the same country (as in the case of Chile).
- Programmes are often unevenly distributed:
 - Not all Ministries/Institutions have programmes (e.g. The Foreign Affairs Department); -
 - A significant proportion of the operating (ordinary) budgets is not included in Programme-based budgeting.



Assessment of PBB implementation in Africa

PBB and its triggers in Africa

- PBB brings changes to each of the actors in the budget cycle: the executive, parliament, sectoral Ministries, supervisory bodies...
- There are a several different types of situations in which the PBB reform may be:
 - Endogenous, when PBB is part of a broad set of Public Finance reforms or when it aims to improve the efficiency or the effectiveness of public reforms (73% of of the initiating events).
 - Exogenous when PBB is based on a conditionality imposed by international organisations (27% of initiating events).
- These two types of triggering events are not mutually exclusive.

Perception of the measures taken to introduce PPBB

Table 8: Perceptions of taking first steps for introducing PPBB*

Preconditions for preparing for PPBB	Number of countries	Totally satisfied	Partially satisfied	Not satisfied
1. An organic budget law	15	33%	27%	40%
2. Ownership of the PPBB system by Parliament, and minimum parliamentary capacity	15	20%	13%	67%
3. Ownership of the PPBB system by the government	13	38%	38%	23%
4. A budget reform committee and/or specialised reform unit to drive the reform agenda	14	29%	50%	21%
5. A plan for a phased-in approach to the reform	15	40%	40%	20%
6. Enhanced budget management responsibilities in spending ministries	15	27%	40%	33%
7. Management of human resources, especially the public finance aspects delegated to spending ministries	15	27%	33%	40%
8. Capacity developed in spending ministries to prepare a PPBB-based annual budget, to monitor it in execution, and to report on annual performance	14	21%	21%	57%

Source: PPBB survey of 15 countries, CABRI, November 2012

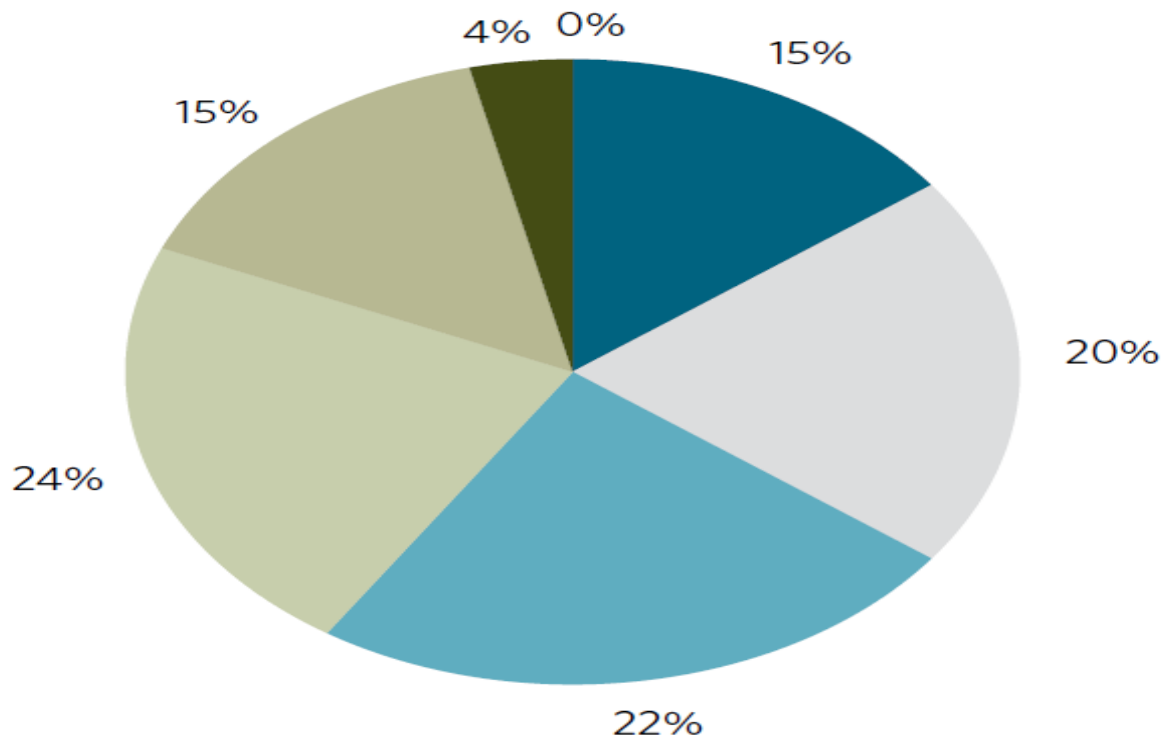
* The value is rounded to the nearest whole number:

Units in charge of PBB

Table 9: Organisational unit responsible for PPBB in selected countries		
Type of unit	Countries	Unit name
Unit for developing and overseeing PPBB procedures and compiling submissions	Kenya	Programme-Based Budget Secretariat
	Chad	An informal team composed of senior management within the directorate for the budget
Unit for analysing performance information	Namibia	(not named)
	Benin	Technical Support Team on Budget Reform
	Mauritius	PPBB Framework and Monitoring Unit
	Rwanda	National Budget Directorate
	Sierra Leone	Budget Bureau
	Mali	Fiscal Frameworks Division within the Budget Directorate
No single unit	South Africa	Budget Reform Directorate (developing and overseeing PPBB procedures)
		Six Public Finance Chief Directorates (compiling and analysing) Department of Monitoring and Evaluation in the Presidency (analysing PIs and targets)

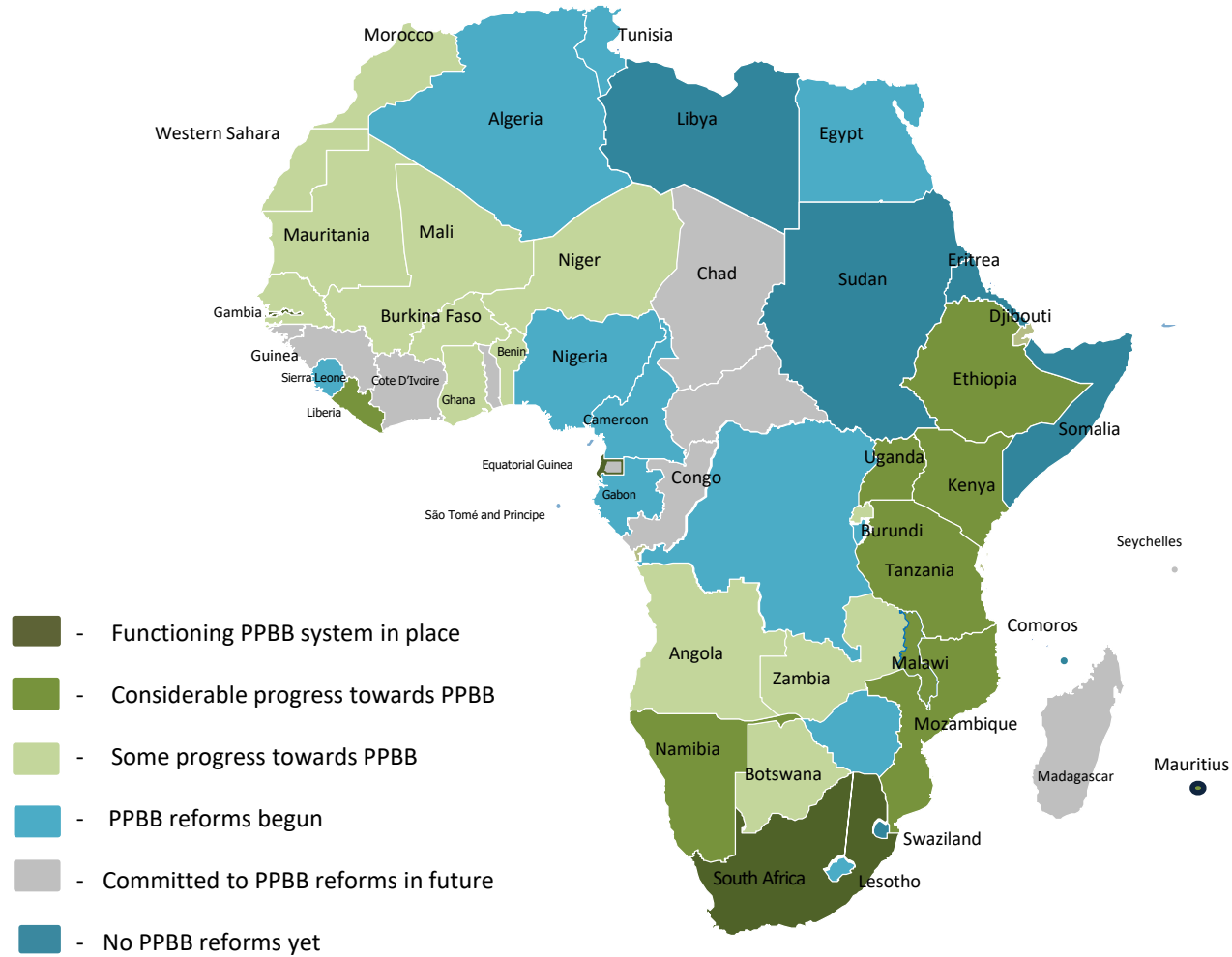
Source: PPBB survey, CABRI, November 2012

Status of PPBB reforms in the 54 African countries



- No PPBB reforms yet
- Committed to PPBB reforms in future
- PPBB reforms begun
- Some progress towards PPBB
- Considerable progress towards PPBB
- Functioning PPBB system in place
- Fully fledged PPBB system

PPBB reform progress in Africa





Impacts, challenges and the future of PBB in Africa

Perceptions of successful PBB reforms: Budget preparation

Table 13: Perceptions of PPBB successes – budget formulation

Potential successes	Very successful	Successful	Partially successful	Not successful
The budget office is more concerned with broader resource allocation decisions than with micro-management of spending ministries	8%	58%	25%	8%
Information from performance reports is used to inform the ceilings for line ministries	0%	25%	33%	42%
Line ministries have more flexibility in determining their programme budgets*	9%	60%	18%	9%
The budget bids from the line ministries have improved in quality and are more evidence-based	8%	42%	25%	25%
Budget negotiations are more focused on programmes' outputs, and policy outcomes than on line items	0%	8%	33%	25%
Line ministries are using the PPBB process to analyse policy and implementation, and then use the information to better allocate resources across programmes	0%	42%	33%	25%

Perceptions of successful PPBB reforms: Performance and accountability

Table 14: Perceptions of PPBB successes – reporting and accountability for performance

Potential successes	Very successful	Successful	Partially successful	Not successful
The quality of objectives and performance measures has improved and targets are more realistic	0%	50%	33%	17%
Performance is measured and reported to the MoF on a regular basis	0%	50%	17%	33%
Performance is taken seriously by line ministries	0%	25%	50%	25%
There is a notable improvement in achieving service delivery objectives, outputs and outcomes	0%	42%	33%	25%
PPBB is used to hold accounting officers and other officials to account	8%	17%	33%	42%

Challenges of PBB reform: system design and leadership

Table 15: Challenges of PPBB design and leadership

Challenges during implementation – PPBB design and leadership	Not a challenge	Not a significant challenge	Somewhat of a challenge	Significant challenge	Very significant challenge
Unclear policy/programme objectives make it difficult to set performance measures	8%	23%	15%	31%	23%
Understanding PPBB concepts such as programmes, outputs, outcomes, etc.	0%	35%	33%	8%	33%
Lack of leadership/commitment in promoting PPBB	25%	42%	0%	8%	25%

Source: PPBB implementation survey, CABRI, November 2012

Challenges of PBB reform: implementation capacity

Table 17:

Challenge	Number of countries	Not a challenge	Not a significant challenge	Somewhat of a challenge	Significant challenge	Very significant challenge
<i>Capacity of resources</i>						
Insufficient capacity in MoF/line ministries to implement reforms	13	8%	8%	23%	31%	31%
Insufficient resources (time, staff, funds) to implement reforms	12	0%	17%	25%	17%	42%
Insufficient training for all officials	12	0%	17%	17%	33%	33%
<i>Capacity to apply PPBB concepts</i>						
Understanding how to complete and use the prescribed formats	11	0%	36%	18%	36%	9%
Weak or non-existent methodologies for costing programmes	12	0%	8%	33%	25%	33%
Reclassification from line-item to programme time-consuming and difficult	11	27%	9%	9%	36%	18%



Conclusions

- PBB is the main component of PFM reform programmes in Africa. Whereas appropriation is local in some countries, PBB can also be imported.
- Countries have different levels of preparedness in regard to the PBB reform.
- Although the reform has been initiated in most of the countries, it is not often successful in Africa.
- One of the core challenges is the lack of political and administrative ownership of the PBB reform, which is sometimes perceived as a mere technical exercise.
- PBB is a profound structural reform and requires the unqualified support of numerous stakeholders.

Thank you for your
attention!

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Review of progress

Table 10: Categories of PPBB status

	No PPBB reforms yet	Committed to PPBB reforms in future	PPBB reforms begun	Some progress towards PPBB	Considerable progress towards PPBB	Functioning PPBB system in place	Fully fledged PPBB system
Programme-based annual appropriations and MTEF							X
Performance targets explained ex-post						X	X
Performance targets in ex-ante budget					X	X	X
Programmes in annual budget documents or MTEF				X	X	X	X
Sectoral strategies in MTEF			X	X	X	X	X
Law requiring PPBB must be adopted in future		X					



Other challenges of the PBB reform

- Challenges in using performance information
- Organisational challenges
- Challenges in instilling a performance culture and holding budget programme managers to account
- Technological challenges
- Legal challenges
- Challenges in involving Parliament and civil society groups in PBB reforms



Benin



Burkina Faso



Côte-d'Ivoire



Guinea-Bissau



Mali



Niger



Senegal



Togo

**CABRI SEMINARY: APPROPRIATING
AND DIFFUSING THE PROGRAMME-
BASED BUDGETING REFORM
PRESENTATION BY WAEMU**

Abidjan 10-11 April 2018

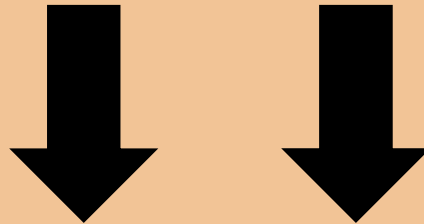
Council of Ministers
1997/1998

■ 5 Directives which constitute the Harmonized Public
Financial Management Framework within the Union

Council of Ministers
2000

■ Directive n° 02/2000/CM/UEMOA of June 29, 2000
establishing the Transparency Code in Public Finance
Management within the WAEMU region

Assessment mission concerning the implementation of the 6 directives (2004)



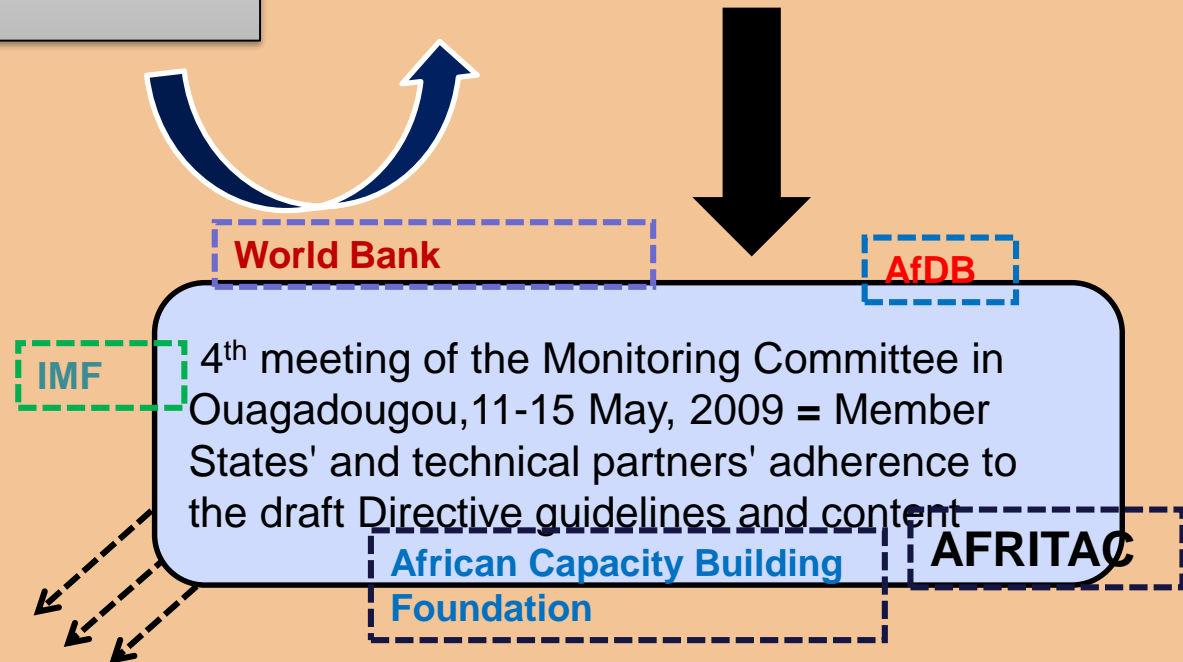
- Inconsistencies and inadequacy of the Directives
- The Directives are so detailed as to give the Member States very little leeway for their application.
- The lack of clarity in some of the provisions of the Directives
- Changes that have occurred in the institutional frameworks
- The necessity of taking into account new public finance management tools, as well as public finance management international standards and best practises
- The failure to take into account ongoing reforms in Member States (particularly, the Medium Term Expenditure Framework, the Poverty Reduction Strategy Paper (PRSP), Programme-based budgeting, results-based management)
- The failure to take into account changes in the application of the IMF 2001 Government Finance Statistics Manual and in the IMF new Code of Good Practices on Fiscal Transparency (2007).

New Directive adoption process

Redrafting of the Harmonized Public Financial Management Framework (*February 2008*)

2 **study tours**

4 meetings of the **Ad hoc Technical Committee**
4 meetings of the **Monitoring Committee** on the draft directives



The Council of Ministers adopts the Directive establishing the Public Financial Management Transparency Code

Main innovations of the reform

- ❑ **Results-based management**
in order to move from a resource budget to a performance-based budget
- ❑ **Programme-based budgeting**, the **Medium Term Expenditure Framework** enabling States to have a medium-term perspective on their resources and activities
- ❑ The **decentralisation of the office of Chief Authorising Officer** to enable any Minister or president of a constitutional institution to be the Chief Authorising Officer for the appropriations in his Ministry or institution.
This is the corollary to results-based management
- ❑ The **classification of medium and long-term borrowings** as a form of cash resources in compliance with the Pact of Convergence
- ❑ The **definition of budgetary balances** (overall balance and underlying budget balance)
- ❑ The implementation of **the accrual principle** which corresponds to the moment when economic value is transformed, exchanged, created, transferred or extinguished
- ❑ The **accrual-based accounting system** partly based on stock accounting.

Implementation timetable

- Transposition of the Directives



by the 31st of December 2011 *at the latest*

- Application of the provisions of the Directives



by the 31st of December 2011 *at the latest*

- Full implementation of the accrual principle in regard to rights and obligations and accrual-based accounting



Additional 2 year period from the **1st of January 2018** to the **31st of December 2019**

This reform was adopted by the Council of Ministers in the form of a directive as it is a harmonisation rather than a standardisation:

- There is a goal to be reached through these directives. The ways and means of accomplishing this goal are left to the discretion of the States;
- The States have a lot of freedom in the implementation of the directives;
- Because of complaints made by the Member States about the lack of flexibility in the first generation directives, many provisions are now regulated by national regulations

CONCLUSION



As regards the implementation of Programme-based budgeting, the results are as follows:

- Three States adopted the Programme-based budgeting system. Namely, Burkina Faso in 2017, Mali and Niger in 2018;
- Benin and Côte d'Ivoire have planned to adopt Programme-based budgeting as from 2019;
- The other States plan to change their systems after 2019, including Senegal which intends to change over to the new system in 2020.

Generally speaking, all the Member States except Guinea-Bissau, have made good progress in implementing Programme-based budgeting, the main hindrance to the changeover is the problem of how to adapt their information systems.