

The implementation of programme-based budgeting in Mauritius

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List of acronyms and abbreviations

BSMD	Budget Strategy and Management Directorate
CABRI	Collaborative Africa Budget Reform Initiative
COA	Chart of Accounts
CSO	Central Statistics Office
FMIS	financial management information system
GFS	Government Finance Statistics
IMF	International Monetary Fund
JCCS	Joint Country Case Study
MoCSAR	Ministry of Civil Service and Administrative Reforms
MoECHR	Ministry of Education, Culture and Human Resources
MoFEE	Ministry of Finance and Economic Empowerment
MoHQL	Ministry of Health and Quality of Life
MoPILT&S	Ministry of Public Infrastructure, Land Transport and Shipping
MTEF	medium-term expenditure framework
NA	National Assembly
NAO	National Audit Office
PBB	programme-based budgeting/budget
PEMSRD	Public Expenditure Management Systems Review Directorate
PMS	performance management system
PPP	Public private partnership
PSIP	Public Sector Investment Programme
SMST	Sector Ministry Support Team
TAS	Treasury Accounting System
UNDP	United Nations Development Programme

Executive summary

Mauritius has embarked on an ambitious reform programme, which includes the implementation of programme-based budgeting (PBB) within the context of a medium-term expenditure framework (MTEF). The main aim of introducing PBB is to improve the efficiency and effectiveness of public spending, so as to achieve better social and development outcomes.

Mauritius has set up a sophisticated PBB system in a short space of time. Recognising that implementation is still in the early stages, there are areas that need further refinement and stabilisation. While the architecture of the PBB reforms is now largely in place, the focus is shifting to consolidating and deepening the reforms in order to reap the benefits of aligning resource allocation with policy priorities and improving service delivery.

This report is the result of a visit by a CABRI team of experts to Mauritius to review the country's design and implementation of PBB. The report examines the successes Mauritius has achieved and the challenges still faced in terms of implementation strategy, conceptual design and the impact of PBB. It also highlights general issues for other countries to consider before embarking on a PBB reform programme.

Background to the reforms

In 2006, as part of its plan to strengthen fiscal management, the newly elected government in Mauritius decided to implement PBB within an MTEF. This followed an initial, unsuccessful attempt by the previous government to introduce the reform to six pilot ministries in 2003. The government itself was the initiator of the reform, with the Ministry of Finance and Economic Empowerment (MoFEE) as the main driver. To implement the reforms successfully, enabling legislative steps were taken, the most important of which was the enactment of the Finance and Audit (Amendment) Act of 2008. This act allows for budget estimates of expenditure to be submitted to the National Assembly (NA) according to programmes and sub-programmes on a 3-year rolling basis, together with outcomes to be achieved and outputs to be delivered.

Implementation strategy and conceptual design

The MoFEE employed a 'big bang' approach, introducing PBB to all ministries simultaneously, together with parallel reforms such as revising the chart of accounts (COA) and implementing a new Financial Management Information System (FMIS).

Starting in 2007, Mauritius developed a well-sequenced reform strategy and action plan, which described the various tasks that needed to be performed, the deadline for each task and the individuals responsible. The first 'indicative PBB' was presented along with the line-item budget in 2007/08, allowing the line ministries an opportunity to understand the shift towards a programme and performance orientation. However, frequent changes to the conceptual design during implementation suggest that more time could have been spent on planning the reform and developing definitions and guidelines before actual implementation.

The first stage of introducing PBB in Mauritius included defining the necessary terminology and concepts, establishing the programme structures for line ministries, and developing templates for the new budget format. The definitions of terminology and concepts resulted in much debate and discussion within the MoFEE, and frequent changes were made during implementation, with the aim of simplification and easier application. These changes were a

challenge to successful implementation, because they caused misunderstandings of what was required in terms of defining outcomes, outputs and performance indicators, and undermined the confidence of line ministries in PBB. There is still a lack of clarity regarding definitions, which has resulted in inconsistencies in the way performance information is used in the PBB documentation. The quality of information also differs across line ministries.

Defining a good programme structure – showing how the activities of the ministry support policy objectives and how resources are allocated to these – is important for generating clarity on government policy implementation. In Mauritius, the programmes of some ministries are not aligned with their main objectives or functions, but rather still follow the organisational structure. In other cases, programmes have not been broken down into sub-programmes, making resource allocation to priority areas more difficult.

Areas in budget formulation that require further attention in Mauritius include strategic planning, costing, budget hearings and the refinement of budget documentation. Currently, some ministries do not have strategic plans, and the ‘Framework for Strategic Planning’ developed by the MoFEE does not capture all the information required. This has an impact on the use of PBB as a strategic policy-based tool. Accurate costing of programmes is important for service delivery and the credibility of the budget. Further work is required on developing a methodology for allocating direct and indirect costs to programmes and sub-programmes, as well as interrogating baseline costs to assess the appropriateness of the level and mix of inputs. Mauritius requires more extensive budget hearings for all ministries, in order to ensure that appropriate trade-offs and correct prioritisation are made between programmes and sub-programmes in aligning the budget with government policies and priorities. More thorough scrutiny of budget submissions requires an increased capacity for evaluating and analysing budget submissions. The budget documentation that is submitted to the NA should be refined so as to align performance information more closely with expenditure estimates.

Currently, line ministries are required to submit financial reports on a monthly basis and service delivery performance reports on a half-yearly basis. Reports on financial and performance information are not integrated (those on the implementation of investment projects are also separate), which makes it difficult to get a complete overview of programme performance. Ideally, to allow for meaningful monitoring and evaluation of overall performance, a composite report should be produced containing expenditure and service delivery information for current expenditure and investment projects.

A clear and unique relationship between the budget programme structure and the organisational structure is critical for programme implementation and service delivery to be monitored and for the appropriate organisational unit to be held accountable. In Mauritius, organisational structure is not aligned with programme structure. Recognising that it is difficult to change organisational structure, this is an objective to be achieved over the medium to long term.

The impact of PBB

The introduction of PBB has resulted in a change in the relationship between the Budget Strategy and Management Department (BSMD) in the MoFEE and the line ministries. The relationship is more collaborative, and there is more interaction between the line ministries and the SMSTs during budget preparation. The role of the BSMD has changed from that of preparing budgets for the line ministries to that of commenting, refining, assessing quality, and co-ordinating. For the most part, line ministries feel that they have greater flexibility in

determining and managing their own budgets. Changes in virement rules and the relaxation of procurement rules have led to additional in-year budget flexibility.

There has also been an improvement in the quality of budget submissions, and budget hearings have shifted from focusing only on line-items to including a focus on the determination of priorities and services to be delivered. There is, however, room for improvement, particularly in the areas of policy analysis and the use of performance information therein. Since the introduction of PBB, the number of ad hoc projects introduced in-year during budget implementation has decreased, and ministries are better disciplined in this regard.

The implementation of PBB has increased awareness of performance and the need to monitor the achievement of targets. The presentation of performance information in the budget documentation has improved over time, and some ministries have enhanced the quality of the information provided.

Transparency and access to information have been enhanced since the implementation of PBB. The Cabinet is in a better position to set targets and priorities based on the information contained in the PBB, and line ministries feel that financial administration is facilitated by more readily available information. Debates in the NA are focused on targets and achievements rather than just on line-items. However, the NA has yet to make full use of the information, as members do not have the required capacity and external support.

Conclusion

In the three years since the 'indicative PBB' was presented to the NA, the government of Mauritius has made great progress in the implementation of PBB. The MoFEE ensured an enabling environment for PBB with the requisite amendments to the legal and institutional framework, and has managed to instil a sense of performance orientation throughout the government. The budget has been restructured using a programmatic approach, and the budget documentation now includes performance information. A new COA has been implemented, and the FMIS upgraded, enabling budget execution according to PBB requirements. Now that the system is stabilising, Mauritius must focus on ensuring consistency in the use of concepts and terminology. Line ministries should review their programme structures, outputs and indicators to make sure that they are relevant and appropriate.

One of the main aims of PBB in Mauritius is to make the budget process more policy oriented, using the PBB as a tool for allocating limited resources to services that provide the greatest social benefit. Recognising that strategic policy analysis aligned to budgeting is a process that takes time to institutionalise, this remains a challenge. Specific areas requiring further attention include: using strategic planning to ensure linkages between policy priorities and resource allocation; performing in-depth budget analysis to inform resource allocation aligned to targeted outputs; developing mechanisms to monitor and evaluate service delivery in relation to spending.

The challenges faced by Mauritius are fairly common to most countries. Some of the major issues for countries to consider when implementing PBB are:

- the necessity of a well-thought-out implementation strategy and plan, identifying what needs to be done and in what sequence;

- agreement on terminology, concepts and formats early in the process, and ensuring appropriate capacity-building for all implementers;
- a strategic plan for each ministry, to be used as the basis for developing a programme structure and informing resource allocations to programmes and sub-programmes;
- the definition by ministries of appropriate outputs and performance indicators that are realistic and measurable;
- the importance of developing capacity to analyse whether ministry budgets reflect policy priorities, whether programmes are efficiently costed relative to intended performance, and whether the projected performance is achievable;
- the updating of accounting and information systems to cope with additional classification requirements;
- mechanisms and systems to monitor and evaluate programme performance from both a financial and a non-financial perspective; and
- improved accountability and oversight, for which it is crucial that performance information be included in budget documentation and that members of Parliament and civil society are able to use the information presented to them.

1. Introduction

Programme-based budgeting (PBB) has been on the reform agenda for a number of years in many African countries. As part of its ongoing work on budget reform, CABRI has undertaken a Joint Country Case Study (JCCS) to review the design and implementation of PBB in Mauritius. A CABRI team of experts, consisting of senior budget officials from Ethiopia (Mr Kifle), Kenya (Mr Kiiru), Rwanda (Mr Baingana and Mr Karakye) and South Africa (Dr Brown), spent a week in Mauritius conducting the study.

Mauritius embarked on an ambitious reform programme in 2006, part of which included the implementation of PBB within the context of a medium-term expenditure framework (MTEF). The main motivation for introducing PBB was concern about high levels of public debt and excessive budget deficits, which constrained the fiscal space to expand social and development spending. The Ministry of Finance and Economic Empowerment (MoFEE) describes PBB as an integrated approach to change the focus of the budgetary process from an input-based annual activity to a performance-based exercise that improves the efficiency and effectiveness of expenditures and lays the foundations for the modernisation of public financial management.

Mauritius has set up a sophisticated PBB system in a short space of time. Recognising that implementation is still in the early stages, there are areas that need further refinement and stabilisation. While the architecture of the PBB reforms is now largely in place, the focus is shifting to consolidating and deepening the reforms so as to reap the benefits of aligning resource allocation to policy priorities and improving service delivery implementation.

This report examines the successes Mauritius has achieved and the challenges that the country faces. It begins by outlining the background to the reforms. This is followed by a description and analysis of the implementation strategy and technical design of PBB in Mauritius. The subsequent section discusses the impact that PBB has made on budgetary processes thus far.

The report concludes with a review of some general issues for countries to consider when embarking on a PBB reform programme.

The JCCS approach

This JCCS provides CABRI members with an opportunity to learn from Mauritius' successes, challenges and experiences in moving from line-item to programme-based budgeting.

The methodological approach was to carry out primary research by way of interviews with relevant stakeholders. Secondary research was conducted in the analysis of relevant documentation received from the MoFEE.

The objectives of this study were to: (i) describe and analyse the conceptual design of PBB in Mauritius; (ii) review and assess the implementation strategy of the MoFEE, identifying successes and challenges; and (iii) assess the impact of implementing PBB, identifying any improvements in budgetary processes and outcomes.

2. Background to the reforms

In 2003, an attempt was made to introduce PBB and an MTEF in six pilot ministries. The methodology used was primarily a process of converting line items to a programme classification, and incrementally forecasting the outer-year estimates. Within the pilot ministries, there was no change in the culture of budgeting, which remained incremental and adversarial.¹ With no explicit policy framework guiding the budget process, ministry officials had little incentive to prioritise and control spending within politically agreed, hard budget constraints. For the rest of the government, budget documents remained in the traditional format, there seemed to be no change in the budget formulation or implementation process, and budgeting was regarded as business as usual. The election in 2005 further hindered the implementation process during that year.

In 2006, the newly elected government launched an economic reform programme, part of which aimed to strengthen fiscal management.² Acknowledging that PBB in an MTEF context was an important area of fiscal management, there was a renewed impetus for the successful implementation of these reforms. The government of Mauritius was the initiator of the reform programme, with assistance from external partners such as the International Monetary Fund (IMF), the World Bank and the United Nations Development Programme (UNDP). Within the government, the MoFEE is the engine driving the reforms, with strong support from the Prime Minister.

To overcome the perception that PBB and the MTEF were just add-ons with no real impact, a new implementation strategy was introduced in all ministries simultaneously, using a more integrated and inclusive approach. This meant focusing on using PBB to introduce performance orientation in the budget, and on employing it as a policy instrument to rationalise and prioritise resource allocation rather than just as an ad-hoc addition to the budget process. Furthermore, the reforms were based on a sound policy framework to improve the link between policy decisions and budget allocations. The more recent initiative is now well supported by the whole government.

¹ See Sipu International (2007); World Bank (2007).

² The aim of the economic reform programme was to address the economic challenges of a lower growth environment, persistently high fiscal deficits and escalating public debt. These reforms focused on increasing the competitiveness of the economy, attracting foreign direct investment, empowering the poor and strengthening fiscal management.

The main objectives of PBB in Mauritius are to:

- make the public financial management system more results-oriented and increase transparency and accountability;
- improve efficiency and effectiveness of service delivery;
- provide and use information on performance for policy planning and management to enhance technical efficiency and expenditure prioritisation and to improve allocation of resources; and
- help reduce expenditure through efficiency savings.³

The first stage of implementing PBB was undertaken for the 2007/08 budget, with the introduction of an 'indicative PBB'. The aim was to change the focus of the budgetary process from an input-based annual activity to a performance-based, multi-annual exercise that clearly links the funding of programmes to outputs and outcomes.⁴ The 'indicative PBB' was submitted alongside the traditional line-item budget as a starting point from which to give the MoFEE the opportunity to update the necessary systems required for full implementation. The 2008/09 budget was the first time PBB was used as the basis for appropriation by the National Assembly (NA), replacing the traditional line-item budget.

To implement PBB successfully, changes to the public finance system are necessary. Firstly, it is important that the organic budget law be updated to cater for all budgetary and accounting reforms. This is to ensure a sound legal foundation for: changing the basis of appropriation to programmes; instilling a performance orientation in the budget; and setting out institutional responsibility by defining the duties of the key role-players, in order to promote transparency, stability, fairness and efficiency in the budget system. These changes should be accompanied by adjustments to the financial management regulations, which should provide greater operational detail. Secondly, it is important that the budget classification and the Chart of Accounts (COA) are aligned to ensure compliance and to facilitate reporting of payments by programme and responsible organisational unit.

The enabling legislative changes undertaken by the Mauritian government comprise the enactment of: the Public Procurement Act 2006; the Finance and Audit (Amendment) Act 2008; and the Public Debt Management Act 2008. Related changes to systems include: revision of the *Financial management manual* (FMM);⁵ adoption of a new COA consistent with the IMF's Government Finance Statistics (GFS); development of new budget and monitoring formats; and modernisation of the financial management information system (FMIS) under Oracle Financials.

The most important enabling change for PBB was the enactment of the Finance and Audit (Amendment) Act, which provides for: the introduction of PBB to achieve improvements in fiscal sustainability, allocative efficiency and operational efficiency; the preparation of estimates of expenditure based on programmes and sub-programmes on a 3-fiscal-year rolling basis, specifying the resources to be allocated, the outcomes to be achieved and outputs to be

³ Republic of Mauritius (2010).

⁴ Outputs are defined as the goods and services produced by the government, and outcomes as the changes observed by citizens in their lives, over time, as a result of the supply of these goods and services.

⁵ Revision of the FMM includes a *Manual for programme-based budgeting* and an *Investment project process manual*, both designed to assist ministries/departments in understanding and implementing PBB activities in a multi-year framework.

delivered; the preparation of estimates of revenue on a 3-fiscal-year rolling basis; the abolition of the Capital Fund (as all expenditure in PBB is by programme, with no separate capital and recurrent budget for line ministries); the replacement of the Contingencies Fund by a new provision for contingencies; and performance audits to be carried out by the Director of Audit.

The Ministry of Civil Service and Administrative Reforms (MoCSAR) is in the process of implementing, along with the above reforms, a performance management system (PMS) to improve individual performance and the delivery of public services. The MoFEE plans to have an integrated individual PMS aligned to PBB by 2012.

3. Implementation strategy and conceptual design

Country experience suggests that implementing PBB is an ambitious task that requires a well-developed and well-sequenced implementation strategy. In order to ensure successful implementation and design of the reform, it is important:

- to have an initial understanding of the shortcomings in the current budget process;
- to conduct a thorough analysis of how the functions, roles and responsibilities of different actors in the administration will be affected;
- to have a clear understanding of the concepts involved in PBB and to develop simple definitions that are easy to apply practically;
- that adequate preparations, including an agreed-upon budget format and methodology, are made within the finance ministry before introducing PBB to line ministries;
- that a clear implementation path is developed for the reforms; and
- that the appropriate preconditions are fulfilled before the reforms are initiated.⁶

PBB can be implemented using either a ‘big-bang’ approach, in which the reform is introduced to all ministries simultaneously, or a pilot approach whereby the reform is first introduced to a few ministries and then rolled out to other ministries at a later stage. There is no definitive right way of introducing the reform, and either strategy may be appropriate, depending on the size of the country and its existing financial, human-resources and systems capacity. The MoFEE chose the big-bang approach, as well as introducing a number of related reforms in parallel with the PBB. These included introducing an MTEF, revising the COA, implementing a new FMIS and introducing performance audits.

The remainder of this section describes the implementation steps taken in Mauritius, and examines and analyses the conceptual design of the country’s PBB. The section ends with a description of Rwanda’s experience of implementing PBB, and readers will note the similar issues faced by both countries.

3.1 Sensitisation and shifting attitudes

Experience from other countries suggests that successful implementation requires the sensitisation and buy-in of all stakeholders. Arranging sensitisation sessions for ministers, members of Parliament, permanent secretaries and senior management is useful in ensuring a common understanding and acceptance of the reform. To encourage ownership, rather than a

⁶ Preconditions include issues such as the existence of sound macro-fiscal policy management, an ability to enforce the execution of budgets as planned, mechanisms for government-wide policy prioritisation, good governance, and adequate human and financial resources.

perception that the finance ministry is imposing PBB, the concept must also be accepted by officials at all levels within line ministries.

Generally, government administrations are resistant to change that is perceived as threatening to the organisation. It is beneficial, thus, to keep the reform framework as simple and transparent as possible. Criteria for decisions around the reform should be communicated openly to all stakeholders, and in good time to allow for discussion and consultation. One way of ensuring ownership is to form a working group within each line ministry that liaises closely with a budget analyst from the finance ministry. The working group should be multidisciplinary, comprising planners, budget officers and human resource officers. Preferably, it should be chaired by the Permanent Secretary or another senior manager within the line ministry.

In Mauritius, an important start to introducing the PBB reform was to sensitise members of the Cabinet. Several ex-ministers of finance from other countries that had implemented PBB were brought in to meet with the Cabinet, and then with members of the NA and heads of department, to convince them of the necessity for the reform. Strategically, securing buy-in for the reform process from the highest level has paid off. The Prime Minister, the Secretary to Cabinet and the Minister of Finance are seen as championing the reforms, highlighting a strong political will and commitment. Furthermore, the external support of a long-term consultant from the UNDP, as well as constant backup from an IMF team, has boosted the technical side of the reform process.

Initially, within both the MoFEE and line ministries there was resistance to change. Line ministries felt that the MoFEE was imposing the new system on them, and they did not take ownership of their budgets and performance information. Furthermore, the various line ministries differed in the quality of their leadership, information systems, management controls and organisational culture. This impacted on their willingness and capacity to shift from a line-item budget mentality, and to implement the necessary changes. Experience suggests that where line ministries show resistance or lack of capacity, it may be useful for the finance ministry to provide intensive mentoring and sensitisation.

Despite the initial resistance, the MoFEE has managed to instil a performance consciousness throughout the government. There has been a clear shift in attitude towards a performance-oriented budgeting system, and there is buy-in from all levels of staff, which is crucial to successful PBB implementation. Officials are aware of the need to relate spending to results, and to get value for money in the public sector. There is an understanding that budgeting is not just about numbers and line-items, but that these should relate to services provided by the government. Nevertheless, challenges remain in some of the line ministries, with respect to the knowledge and capacity necessary for the full implementation of PBB, especially in terms of how the functions, roles and responsibilities of different officials need to change.

3.2 Sequencing and timing of reforms

A well-informed and logically structured reform strategy can minimise risks in the transition from an input-based to a PBB system. Practice suggests that reforms should be introduced at a steady pace. It is better to begin with a simplified model, adding further sophistication once the implementation is more entrenched. There may be a tendency to want to introduce a perfect system immediately, but this usually results in unrealistic and unachievable expectations.

Before PBB is actually introduced, sufficient time should be allowed for planning the reform strategy and for training. There should also be enough time for consultation and discussion within the line ministries, between the line ministries and the finance ministry, and with members of Parliament, who have a large role to play in using budget information for oversight and accountability purposes. However, the pace of reform should not be too slow, thereby risking loss of momentum.

Starting in 2007, Mauritius developed a reform strategy and action plan to provide a clear vision of the future and to lay out a path for getting there. A budget reform matrix was worked out, which described the various tasks that needed to be performed, the deadline for each task, the responsible individuals, external technical assistance required and general observations. This matrix was updated at regular intervals, taking into account conditions on the ground.

An important factor in the sequencing of reforms was the timely amendment of the Finance and Audit Act, which allowed the 2008/09 budget to be appropriated in Parliament in the PBB format. In the year preceding the implementation of self-standing PBB (in 2007/08), the MoFEE had already developed a three-year macroeconomic fiscal framework and medium-term expenditure projections at ministry level, which were published as annexes in the Budget Estimates Book. The medium-term estimates were extended to a programme and sub-programme level with the implementation of self-standing PBB. In addition, the parallel reform of the COA and FMIS allowed for the implementation and monitoring of the budget according to the programme format.

The decision to first implement ‘indicative PBB’, in parallel with the line-item budget, was a key element in changing the line ministries’ understanding of the shift towards a programme and performance orientation. It allowed time for a change in mindset, particularly in awareness of the importance of interaction between the finance section and programme implementers in formulating the budget. Within the MoFEE, it also allowed budget analysts to realise the necessity of an in-depth understanding of the line ministries that they support. However, the impacts of frequent changes in the conceptual design during implementation indicate that Mauritius could have spent more time planning the reform and developing definitions and guidelines before proceeding to implementation.

3.3 Terminology, concepts and programme structure

The first stage of introducing PBB in Mauritius included defining the terminology and concepts for PBB, formulating the programme structures for line ministries, and developing templates for the new budget format.

Definitions of terminology and concepts

Definitions

The Finance and Audit (Amendment) Act 2008 provides the following definitions:⁷

Programme: group of activities or interventions intended to contribute to a common set of outcomes, specific objectives and outputs that are verifiable, consisting of a defined target and a given budget including staffing and other necessary resources.

⁷ In addition to the definitions given here, the MoFEE has issued a *PBB Glossary*, which further clarifies the definitions and provides examples for each.

Sub-programme: the programme hierarchy which breaks programmes into sub-programmes and which in turn break into activities or interventions and is designed to achieve at least one specific objective.

Outcome: the likely or achieved short-term and medium-term effects of an activity's or intervention's outputs.

Output: the products, goods and services resulting from the carrying out of an activity; and includes changes resulting from activities relevant to the achievement of outcomes.

According to the *PBB Manual*:

'For the purposes of performance specification, services are often grouped together in service groups which are called *programmes* or *sub-programmes* in Mauritius. A service group is a stable aggregation of services that are similar in nature and for which the costs can, for accountability purposes, be attributed to a delivery unit.'

Definitions of terminology and concepts generated much debate and discussion within the MoFEE. Since 'indicative PBB', frequent changes were made to definitions, with the aim of making them simpler and easier to apply. However, this was challenging for Sector Ministry Support Teams (SMSTs) and officials from the line ministries, as misunderstandings arose as to what was required in terms of defining outcomes, outputs and performance indicators; consequently, confidence in PBB was undermined.

Many countries struggle with defining appropriate outputs and performance indicators. Both the outputs and the performance indicators should relate directly to the services provided by the unit. These might be direct services to the community; in other cases, they may be regulatory functions or policy advice. It is often not meaningful to have quantity indicators, such as 'number of people attending a clinic' or 'number of vehicles fixed', as a measure on their own, since demand is unpredictable and variable, and the unit responsible does not have control over this. In such instances, it would be more appropriate to combine quantity measures with efficiency measures, such as the 'number of patients seen per doctor', 'average waiting time to see a doctor' or 'time taken to fix a vehicle'. In other cases, qualitative indicators rather than quantitative indicators might be more relevant, despite being more difficult to measure.

Terminology for performance information was refined in 2009 in preparation for the 2010 budget submission. Instead of using 'outputs' and 'performance indicators', the focus has shifted to 'services to be delivered' and 'service standards', which define what is to be measured and the associated target. There is still a lack of clarity regarding the definitions, which has resulted in inconsistencies in performance information in the PBB documentation. The quality of information across line ministries is also inconsistent. General issues include the following: services (outputs) are formulated as outcomes; outputs are stated as general activities (e.g. 'Better protection of consumers', in the Ministry of Consumer Protection and Citizens Charter); and outcomes and priority objectives are not formulated in a measurable way, making it difficult to track performance and achievement. Services to be provided and performance indicators of the Ministry of Health and Quality of Life (MoHQL) are given in Table 1 as an example of recent terminology usage.

Table 1: Services and performance indicators

Sub-programme 58301: Services at health centres						
Delivery units	Services to be provided (outputs)	Performance				
		Service standards (indicators)	2009 baseline	2010 target	2011 target	2012 target
Area Health Centres/ Community Health Centres/ Medi-Clinics/ Community Hospitals	01: Health care services at community level	P1: Attendance at primary health care centres (million)	>3.9	>4.0	>4.0	>4.0
	02: Expanded Immunisation Programme sustained	P1: Immunisation coverage as percentage of live births (public sector)	>90%	>90%	>90%	>90%
	03: Improved maternal and child health services	P1: Percentage newborns with low birth weight (<2.5 kg)	<19%	<19%	<18%	<17%
		P2: Number of current users of contraceptive measures	>37 000	>37 000	>37 200	>37 500
Dental Clinics	04: Dental clinics	P1: Attendance at dental clinics	>300 000	>300 000	>310 000	>320 000

In Table 1, ‘03: Improved maternal and child health services’ is stated more as an outcome than an output. More than one output might be required relating to the services that are delivered to achieve improved maternal and child health; for example, one might add ‘Antenatal clinics held’, which could have as an indicator ‘Percentage of women receiving prenatal care in the first four months of pregnancy’. Furthermore, the performance targets are unclear, as they are stated to be greater or less than an amount or percentage without reference to an absolute figure. It is important to have definitive targets, which should be linked to resource allocation. For example, if immunisation coverage is expected to be >90%, then 91% coverage would require fewer resources than would 95%. For the output of dental clinics, it would be more appropriate to have as the service standard a measure that relates to the actual services provided, such as ‘Number of hours worked per dentist per day/week’, rather than the number of people attending the clinics, as this may be beyond the control of the delivery unit itself.

In addition, the MoFEE should be aware of the possibility of perverse incentives created by PBB. It was observed by one of the officials interviewed that staff members in his unit were concerned only about delivering the outputs stated in the PBB document, to the detriment of other services required of them. The performance indicators in the PBB document should be formulated as part of a full framework of indicators for a ministry. The indicators should be structured in a hierarchical manner, making it clear that those at the higher levels in the PBB document can be achieved only by achieving those at the lower levels. It must be made clear to ministries that the PBB document contains only selected outputs, and that individual performance will be measured against a more detailed set of outputs and indicators, which should be contained in operational plans and individual performance management agreements.

At this stage, the MoFEE must clarify its definitions of all concepts, and ensure that these are clearly understood by its SMSTs, which can then articulate them to line ministries. All performance information (priority objectives, outputs, outcomes and indicators) must be reviewed to ensure consistency across line ministries. Line ministries should also be given more guidance on relevant and appropriate outputs and performance indicators. To ensure consistency and quality of information in PBB submissions, it would be helpful to establish a quality-review team in the MoFEE. This review team should work closely with line ministries as they begin to develop their programmes, outcomes, outputs and performance indicators.

The National Audit Office (NAO) is responsible for the auditing of performance information. The auditing of performance information differs from conducting a performance audit in that it is concerned more narrowly with the integrity of the reported performance information. This type of audit should focus on the systems and processes used to generate performance indicators, as well as assuring that the performance information is reliable, consistent and comparable over time. Currently, this is the intended focus in Mauritius. Full performance audits, which investigate a ministry’s logic of intervention and, thus, its policies, are conducted annually by the NAO on selected sectors.

Programme structure

Defining a good programme structure is important in generating clarity on government policy implementation, showing how the activities of the ministry support policy objectives and how resources are allocated. Identifying government programmes on the basis of objectives to be achieved, rather than the administrative structure or the division of expenditure between cost-categories, enables policy-making bodies to make conscious and rational decisions on resource prioritisation and allocation. The programme structure in line ministries should be stable, but must allow for some flexibility should there be a function shift across government.

<p>Criteria for defining a programme structure</p> <ul style="list-style-type: none">• Each programme should have a clearly articulated objective, which is aligned with the strategic policy objectives of the government;• the design of programme budget structures must be linked to a ministry’s strategic plan and output indicators relevant to the programme;• programmes should be broken down into sub-programmes and activities in successively greater detail, in order for line ministries to transform the programmes into concrete actions that can be implemented;• the number and scope of programmes and sub-programmes should be limited, in order to facilitate in-depth, policy-oriented analysis;• the programme structure should not change every year; changes to programme structure should be allowed only if there are major policy changes in the ministry;• programmes should relate clearly to the core functions of the ministry, and programme name should reflect this; and• a management position within the organisation should be assigned responsibility for management and financial control at the programme or sub-programme level.
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The PBB framework in Mauritius consists of programmes, which are then broken down into sub-programmes and activities. Each programme has to achieve at least one outcome, and

each sub-programme has to meet at least one priority objective.⁸ Each sub-programme is required to provide specified services (outputs), and each service is measured by service standards (performance indicators) with targets for the three years of the MTEF. Where a programme has no sub-programmes, services are set at the programme level. Generally, a ministry may request changes to the programme structure either through the budget analyst assigned to it by the MoFEE, or through the Cabinet. If the request comes through the Cabinet, it must be made in consultation with the MoFEE; but if the request comes via the budget analyst, it does not have to be approved by the Cabinet.

Initially, for the ‘indicative PBB’, the programme structure was defined by an MTEF cell in each ministry, which worked in close collaboration with officials from the budget office. Programme structures were not particularly well defined at this stage, because of time constraints and the fact that the concepts of PBB were not yet fully understood by officials in either the MoFEE or the line ministries. Since then, the programme structure has been reviewed by each ministry in consultation with the MoFEE. While there are no formal guidelines for developing programme structures, the *PBB Manual* states that the ministry should identify strategic outcomes for current and future years on the basis of the strategic plan, and then develop programmes and sub-programmes relating to the achievement of the expected outcomes. The MoFEE has recommended that all ministries/departments have an initial programme called ‘Policy and Management’. The rationale for this is pragmatic, and envisages a mechanism for allocating overhead costs not directly attributable to programme service-delivery units, such as costs for top management, office premises, security and IT support.

Although there has been a notable improvement in programme structure since ‘indicative PBB’, defining appropriate and meaningful programmes is still problematic for some ministries. Programmes are not always aligned to their main objectives or functions, but rather still follow organisational structure. In other cases, programmes have not been broken down into sub-programmes, making resource allocation to priority areas more difficult. The more appropriate the line ministry programme structure, the easier it is to identify good performance indicators. In the early stages, it was challenging for SMSTs to understand a line ministry’s business in sufficient depth to be able to give constructive feedback on the programme structure proposals submitted by it. Initial proposals on programme structure often included long lists of activities, instead of programmes that related to ministry objectives. In certain cases, ministries refused to change from the status quo organisational structure. Others lacked strategic plans, and were unclear as to what criteria their programmes should be based on, which hindered the process of programme definition.

Furthermore, the ‘Policy and Management’ programme is not consistent in composition across all ministries, and there are no guidelines regarding the definition of sub-programmes and which costs should be included therein. For example, the MoFEE calls its version of this programme ‘Policy and Strategy for Economic Growth and Social Progress’, which includes more than just policy and management functions, and the programme is broken down into seven sub-programmes. The Ministry of Public Infrastructure, Land Transport and Shipping (MoPILT&S) calls its first programme ‘Policy and Strategy Development for Public Infrastructure, Land Transport and Maritime Services’, and it has no sub-programmes. The MoHQL’s ‘Health Policy and Management’ programme is also not broken down into sub-

⁸ The *PBB Manual* defines an outcome as a change in the economic, physical, social and cultural environment, which the government is trying to influence through its provision of services. A priority objective is defined as a sub-programme goal, which is a priority, affordable and measurable.

programmes; some of the officials interviewed felt that this programme was too large and more of a ‘catch-all’ for services that are more difficult to include in other programmes.

When defining programmes and sub-programmes, it is important to look at the objectives and nature of the specific ministry concerned. In Mauritius, the programme structure of each ministry should be reviewed with the aim of providing appropriately scoped, sized and empowered units to promote the economical, effective and efficient performance and delivery of services. In addition to what is currently offered in the *PBB Manual*, the Budget Strategy and Management Directorate (BSMD) within the MoFEE should provide detailed guidelines on how to develop a programme structure. This would aid ministries in their efforts to design optimal programme structures. It might also be useful for the guidelines to identify particular sub-programmes for the ‘Policy and Management’ programme, and to define what items could be placed within these sub-programmes so as to reduce the risk of the parent programme becoming overloaded. An extract from the South African National Treasury’s *Guidelines on Budget Programmes* is given in Appendix C as an example.

3.4 Issues in budget preparation

In 2009, an important additional reform was introduced, which changed the existing financial year from July–June to a calendar year running from January to December, necessitating a six-month budget from July 2009 to December 2009, before implementation of the 2010 budget. This was particularly challenging, as it placed the added burden on both the MoFEE and line ministries of two budgets having to be prepared and passed in one year. The process resulted in some distraction from the deepening of other reforms, including PBB. The draft budget calendar for the 2011 budget preparation is given in Appendix B.

Strategic planning

Strategic planning in line ministries is the starting point for developing programme information, and should be the foundation on which PBB is formulated. A strategic plan should set out the direction the ministry intends to take in order to reach its goals and objectives, and should define the programmes, sub-programmes and outputs necessary to achieve this. It should be mandatory for all line ministries to develop strategic and operational plans that are updated on an annual basis.

Generally, there are two schools of thought regarding strategic planning. One holds that the finance ministry should provide a strategic planning template for the use of all line ministries. The benefit of this is that it should ensure consistency in planning; the disadvantage is that it might result in a culture of compliance towards the filling in of a template, while losing the strategic underpinning of planning. The second view is that the finance ministry should provide clear guidelines regarding the contents of a strategic plan, without specifying the actual format, leaving that to the ministry. The benefit of this approach is that ministries should feel greater ownership of the plans; the weakness is that some ministries might not comply with all of the requirements set out in the guidelines.

Whichever approach is taken (even a combination of the two), it is important that strategic plans are formulated according to the same programme structure used in the budget, that they are forward-looking and that they are costed. The plans should contain information on the vision, mission, and goals and objectives of the ministry, as well as linkages to programme outcomes, sub-programme outputs and the inputs required to achieve them. Performance information in the strategic plans should be linked directly to performance information in the PBB, so as to provide a mechanism for reporting measurable progress at the end of the year.

The MoFEE has designed a ‘Framework for Strategic Plan’ (see Appendix D) which each ministry is required to complete. The framework document, however, does not contain all the detail required in a strategic plan; thus, it is still important for line ministries to develop comprehensive strategic plans. The framework document, however, does not contain all the detail required in a strategic plan; thus, it is still important for line ministries to develop comprehensive strategic plans. Nevertheless, in its current form, the framework document may be useful for transferring information required in the budget documentation from a detailed strategic plan. Line ministries should be encouraged to draw up their own strategic plans, rather than leaving it to an external consultant, as this will promote ownership and ensure buy-in by the relevant managers and service-delivery units.

The development of 15 sector strategies has been commissioned by the MoFEE. To date, four have been completed. In Mauritius, a sector is defined usually as the ministry and its private sector partners. Sector strategies are important in ensuring co-ordination and coherence across ministries. Because of time constraints, however, the focus initially should be on developing ministry strategic plans, while continuing the process of developing sector strategies.

Costing of programmes

According to the *PBB Manual*, costs are assigned to programmes and sub-programmes according to the amount of inputs that are used directly, plus an appropriate portion of resources that are not assigned to any specific technical programme/sub-programme (e.g. senior management, human resources management, electricity and some information technology).

Since 2008/09, budget and forecast estimates have been calculated using only direct costs for each programme and sub-programme. Indirect costs are placed in a ‘Policy and Management’ programme in each ministry/department, in terms of categories specified by the MoFEE. In future years, the intention is to allocate all indirect costs to programmes and sub-programmes, without reporting a separate ‘Policy and Management’ programme. It is important, however, to have a costing methodology defined, with a good understanding of the baseline, before this approach is implemented.

The *PBB Manual* states that the first step in building a programme budget is to establish a baseline by calculating the costs of programmes and sub-programmes. This involves:

- identifying the sub-programmes or programmes (when there are no sub-programmes) to be costed;
- identifying and assigning the direct costs incurred in undertaking the sub-programme activities;⁹
- identifying the indirect costs of sub-programmes or programmes, and assigning them to Programme 1 ‘Policy and Management’;¹⁰ and
- adding sub-programme costs for each programme, to achieve the full programme cost.

⁹ Direct costs are those costs that can be specifically and exclusively identified with a particular cost object. Examples of direct costs are labour, consumables, equipment and, maintenance.

¹⁰ Indirect costs cannot be specifically identified with a single cost object. Examples of indirect costs are rental, salaries of senior management, legal costs and other overheads.

Where a unit within a ministry falls within two or more different programmes or sub-programmes, a pro rata approach is employed to allocate the resources used for each different programme/sub-programme.¹¹

Changes in budget ceilings and budget allocations across programmes and sub-programmes require that performance indicators and targets are reviewed and adjusted to take account of what can be achieved within the available budget for each category. Adjustments are often proportional to changes in budget, although this is not always the case.

MoFEE officials recognise that further work is required on the costing of programmes and sub-programmes. As a starting point, a full interrogation of baseline costs should be conducted. Currently, costing is based on the status quo prior to the implementation of PBB. Inaccurate costing of the baseline not only has implications for the delivery of services but also may result in increased virement, which could affect the credibility of the budget. Thereafter, a methodological approach for the allocation of indirect costs should be communicated to all ministries, as there appears to have been some disagreement on how indirect costs should be allocated to programmes and sub-programmes. If the costs are allocated differently in different ministries, comparison between ministries is impossible and budget allocation processes are weakened. Costing should be based on the outputs of each sub-programme (or programme if there are no sub-programmes) together with assumptions about changes in the demand for services and the supply of inputs over the medium-term.

In-house costing skills need to be expanded, as administrators are doing the costing with insufficient input from sector specialists. MoFEE officials have indicated that an output-costing module is due to be implemented on a pilot basis in 2011.

Budget submissions and hearings

The budget circular, containing detailed requirements for budget submissions, is issued in May. An officer from the SMST in the MoFEE is assigned to each ministry to assist in the budget preparation process. The budget submission format is set out in full in Appendix E. If a ministry's budget proposal is within the given ceiling, the budget submission is accepted as is. Budget hearings are held only for those ministries that require a budget over and above the ceilings allocated to them.

Ideally, budget hearings should be held for all ministries, whether they are within the ceiling or not. The purpose of a budget hearing is to scrutinise spending plans (ensuring that resource allocation is efficient and effective) and to promote agreement on priorities. It is during the budget hearing that information is shared to facilitate appropriate trade-offs and prioritisation among programmes and sub-programmes, so that the budget is aligned with government policies and priorities. Discussions should focus on the specific policies and outcomes to be achieved with the allocated resources, and should include detailed, rigorous scrutiny of the analytical basis for the allocations, as well as an option analysis for service delivery. To add value to the budget hearing, budget analysts should interrogate baseline expenditure and performance, in order to check that budgets are realistic, to assess whether there are inconsistencies in the level and mix of inputs, and to ensure that the ministry attains value for money in terms of service delivery. The budget analysts should make sure that expenditure estimates are based on an analysis of the recurrent and capital costs of current policies, as well as the likely impact on the budget of new policies or changes to existing policies or delivery modes, and the associated multi-year implications.

¹¹ A pro-rata approach allocates costs on a proportional basis determined by percentage usage.

A guideline for SMSTs on how to evaluate and analyse budget submissions would be useful. The MoFEE should develop its own criteria for analysing a budget submission according to what is relevant in the Mauritian context, and should ensure that members of the SMST are trained in the rigorous evaluation of budget submissions. An example of evaluation criteria for a budget submission is given in Appendix F.

Budget documentation

Once the budget has been finalised, the MoFEE submits the budget documentation to the NA for approval. The format of the budget document is the same as that of the budget submission, and includes:

- an overview of the ministry/department;
- the services to be delivered, and performance information for all programmes and sub-programmes for a four-year period (the current year baseline, plus targets for the three-year MTEF period);
- the financial resources allocated to each programme and sub-programme for the four-year period; and
- the human resources (funded positions) for each programme.

There has been a notable improvement in the budget documentation presented to the NA since the ‘indicative PBB’ of 2007/08. There is now a much larger section on non-financial information, including a strategic overview of the ministry and how major constraints and challenges are being addressed. Output and performance information is more detailed, and is provided for the sub-programme level. Performance targets are given for all three years of the MTEF. Information by economic category is easier to read, as the number of line-items displayed has been reduced.

One of the aims of including more information in the budget documentation is to allow members of the NA and civil society the opportunity to understand how budgetary allocations are related to the government’s policy objectives. Budget analysis is facilitated by linking performance information more closely to budget information in the budget documentation. Therefore, instead of presenting performance information for all programmes and then budget information for all programmes, it would be more practical to present the financial information for a programme/sub-programme directly after the performance information for each programme/sub-programme. This would be an aid in the assessment of outcomes, outputs and targets relative to resource allocation (and whether resources have been allocated to priority areas). In addition, the current budget documentation contains only one year of historical financial information together with the MTEF estimates. It may be useful to add one or two more years of historical data, so as to enhance the analysis of spending trends over a longer period of time.

3.5 Capacity-building

Generally, before introducing PBB, it is imperative to conduct intensive training of officials, so that they have a good understanding of the concepts and system by the time implementation is required. Training should include both theoretical concepts and practical applications relevant to the line ministry concerned. It is useful to prepare and disseminate a PBB manual to be used as a training resource in advance of the introduction of PBB. After the initial training, supplementary training should be given on an ongoing basis, particularly for new staff who may not have received any previous training.

The ‘indicative PBB’ led to the recognition that capacity-building is an important issue. A training programme, consisting of 12 modules, was tailor-made for the Mauritian context. External consultants trained approximately 65 people from the MoFEE, line ministries and universities; the best 15 were chosen to become trainers, and they then trained 400 officers from a range of line ministries. This first round of training was fairly broad, and was followed by the mentoring and support of IMF experts. More specific, specialised training (sometimes taking the form of extensive consultation with a ministry) was developed at the request of individual ministries.

At the time of the training, a PBB manual was developed to assist ministries/departments in understanding and implementing PBB activities in a multi-year framework. The manual explains concepts and terminology, and provides budget timetables and examples of how to fill in the PBB templates.¹² A new financial management toolkit, consisting of ten volumes, is in production and will offer further assistance to line ministries in implementing PBB.

Although the MoFEE made a concerted effort to provide training, most officials from the line ministries felt that it did not go far enough, which impacted on their ability to implement PBB successfully. It was also felt that the training programmes were too compact, with insufficient time allocated to sessions. Many officials stated that in hindsight they would have liked to spend more time on training prior to, as well as during, implementation.

Line-ministry officials stated that too few people were trained. Most of the training was given to persons involved in finance, and not enough to those involved in developing policy and implementing service delivery. In some instances, it was felt that the 15 chosen trainers were too inexperienced, having just received training themselves, and had not had the opportunity to internalise the actual implementation of PBB before training others.

Currently, no training is taking place. This has implications for officers who are new to the civil service and who do not have an understanding of PBB. Further training programmes would also be beneficial in deepening the understanding of those officials currently implementing PBB. Capacity-building should be embedded locally and applied to the Mauritian context, and should include practical work sessions, especially with line ministries. Specific areas for capacity-building include strategic planning, costing, performance measurement, monitoring and evaluation.

Capacity for undertaking budget and policy analysis is also critical. If empirical analysis does not inform changes in policy, then PBB is not being used to its maximum benefit. Empirical analysis must be led by the line ministries, as they have the in-depth knowledge and immediate information in respect of service-delivery work flows, and understand what the constraints and challenges are, as well as the financial implications of these.

One major shortcoming, raised in an interview with a member of the NA, is that there was no training at all for members of the NA. Capacity-building is necessary for NA members to be able play their budget-making and oversight roles properly and to be able to use PBB information more productively. It may be useful to set up a working group of research analysts in the NA to provide assistance in budget analysis, as there is no such capacity at

¹² The manual includes sections on the MTEF, PBB, basic cost concepts and costing methodologies, measuring performance, budget monitoring and reporting, and evaluation of programmes and sub-programmes, and is updated on a regular basis.

present. The research team should comprise sector policy experts who are able to conduct both quantitative and qualitative analysis.

The NAO auditors of line ministries also require PBB training. It is important for future auditing that the auditors have a good understanding of the philosophy and conceptual design of PBB. Although auditors in Mauritius are currently undergoing training in performance auditing, they should also be trained in auditing programme and performance information (with a possible emphasis on the latter).

3.6 Issues in budget execution

At the same time as the PBB formats were being designed, revisions were being made to the COA and accounting system to facilitate budget execution in a PBB format. Budget execution is managed through the Treasury Accounting System (TAS). A COA working group, chaired by the Accountant-General, was set up comprising officers of the Treasury, the Budget Office, Finance and Internal Control Cadres, the Central Statistics Office (CSO) and the NAO. Contributions were also obtained from the IMF and UNDP international consultants. The approach taken was first to analyse the existing list of expenditure and revenue items and to ensure compliance with the *Government Finance Statistics (GFS) Manual 2001*. This was followed by extensive discussions and consultations with all stakeholders about the new requirements before making final presentations.¹³ Both the hardware and software used by the Treasury were upgraded to cater for the new requirements, and a large number of users were trained in the enhanced system.

The new COA was ready in July 2008 for the implementation of the 2008/09 budget. It made provision for: PBB; output costing; compliance with the reporting requirements of the IMF (based on 2001 GFS principles); and improved quality and accessibility of management information.

The reclassification of the budget according to the new COA (together with the introduction of the new FMIS) has been a successful part of the PBB implementation. In particular, the creation of the working group to co-ordinate the implementation aided the smooth transition. Before the migration to the new system, there was a process to clean the data and remove duplications and outdated data. Line ministries were involved in this process and were asked to review their items in detail. The software supplier did the initial conversion of the existing data into the new system, and there were no problems in the shift from the old system to the new. Furthermore, the Treasury recognises that the system is dynamic, and already feedback from users has resulted in additional changes to the COA in 2010.¹⁴

The MoFEE currently uses a separate data system from the TAS to capture budget information. Generally, the accounting system should incorporate a budget module, as this reduces the risk of inaccuracies resulting from uploading data from one system to another. The MoFEE should consider integration as a medium-term objective.

¹³ The stakeholders included ministries and departments, the CSO, external and internal auditors and IMF consultants.

¹⁴ These changes included: 'analysis' as a separate segment, to make it easier for the user to identify and analyse certain items; adding a new segment to record actual financial outturn; and removing the segment for funding, as this is mainly information received from the MoFEE itself and was not necessary for all users to enter.

3.7 Reporting and monitoring

Reporting and monitoring are the tools for assessing progress against the objectives, outcomes and outputs identified in the strategic plans of ministries, and play an important role in informing future planning and policy formulation. Reports should provide information on actual expenditure of programmes against budgets, as well as actual achievement of performance against the targets stated in the PBB.

In Mauritius, reporting and monitoring are the responsibility of each line ministry/department, with the MoFEE playing a co-ordinating and supervisory role. Financial reporting is done through the TAS system, and non-financial reporting by way of Excel spreadsheets. Institutional arrangements for reporting and monitoring are listed in Table 2.

Table 2: Reporting and monitoring – institutional arrangements

Department	Responsibility	Timing
Treasury Department	Preparation of financial reports	Monthly, quarterly and annually
Budget Strategy and Management Directorate (BSMD)	Management of PBB database of non-financial performance data Supervision of monitoring reviews on investment projects and/or acquisition of assets listed in the PSIP ¹⁵	Quarterly
Public Expenditure Management Systems Review Directorate (PEMSRD)	Co-ordination of the preparation of performance monitoring reports Supervision of budget monitoring reviews on performance data	Half-yearly Monthly

Financial monitoring reports consist of detailed financial monitoring tables of the PBB and a financial review. Performance monitoring reports contain actual results against programme/sub-programme services and the specific performance information set out in the 3-Year PBB Statement. These reports include an analysis and evaluation of performance to date. Investment project implementation reports detail the status at various stages of each investment project and/or acquisition of assets implemented under each programme as listed in the PSIP.

In Mauritius, the reports on financial and performance information are not integrated, complicating the analysis and review of these in relation to each other at the programme and sub-programme level. Furthermore, the responsibility for monitoring and reporting on progress with investment projects is separate from monitoring and reporting on performance information in the PBB, which also makes it difficult to get a complete overview of programme performance. Reports should be integrated in such a way that all financial and performance information is presented together by programme and sub-programme, thus allowing for meaningful monitoring and evaluation of overall performance. An example of

¹⁵ Mauritius recently introduced a Public Sector Investment Programme (PSIP). The PSIP covers the investment programme of the General Government sector, the Statutory Bodies, State Owned Companies, and the Local Authorities, including the Rodrigues Regional Assembly. It is a rolling investment plan, which will be reviewed on a quarterly basis against the government's strategic objectives, taking into account, inter alia, resource availability, state of preparedness of investment projects and implementation capacity. The 2009–2013 PSIP has been prepared by the MoFEE in collaboration with the ministries, departments and statutory bodies. The investment projects have been classified into nine broad sectors according to the classification of functions of government. The PSIP excludes private sector investment that is expected from projects to be undertaken under public-private partnership (PPP).

how this could be represented is given in Appendix H. In addition, it is more effective if the member of the SMST who assists in budget preparation is also responsible for monitoring the line-ministry's performance, as they should already have an in-depth understanding of the functioning of the ministry they are working with.

Mauritius has a record of successful reporting on financial information, and has a good and long-standing quantitative information database. However, the collecting and reporting of qualitative information is a challenge. A further challenge raised by the MoFEE is that of appropriate benchmarking against which to review performance. The question has arisen as to which country or region Mauritius should be compared with.

No empirical analysis of the link between resources and performance achievement is being conducted by ministries or the MoFEE. Only when ministries start empirically analysing their underlying data and its relation to published indicators, can it test its logic of intervention (i.e. whether inputs intended to yield the stated outputs achieve their purpose) and then make relevant policy choices based on that analysis.

3.8 Accountability

An organisational structure that is aligned to the programme structure is desirable for accountability and reporting purposes. It is critical that there exists a clear and unique relationship between the budget programme structure and the organisational structure, so that programme implementation and service delivery can be monitored and the appropriate unit of organisation can be held accountable. If programmes are falsely imposed on an old organisational structure, the result is PBB in form but not in substance.

In the case of Mauritius, organisational structure is not aligned with programme structure. An example of this was noted during an interview with the MoPILT&S, in which it was pointed out that due to programme design, the director and deputy-director of a particular unit were placed in different programmes. The lines of reporting were confused; the deputy-director felt that he was accountable to the director rather than the programme manager, who was perceived as a figurative manager without the requisite technical knowledge. Within the Ministry of Education, Culture and Human Resources (MoECHR), the organisation is structured according to 'zones', which are not aligned with the programme structure. It is difficult to appoint programme managers, as the programmes cut across zones. To overcome the problem, one of the zone directors is assigned the extra task of being a programme manager. However, this places additional responsibilities on one person, over and above others of equal rank, making it difficult for tasks to be carried out effectively.

Ultimately, units within an organisation should be aligned to its programme structure, at least at the sub-programme level (or programme level where there are no sub-programmes), to ensure a single line of reporting. This is important for accountability in budget execution and the monitoring of service delivery. Furthermore, it is not easy for programme managers to carry out their responsibilities as set out in the *PBB Manual* if they do not have all units relating to the programme reporting directly to them. Recognising that changing organisational structure is not easy, this is an objective to be achieved over the medium to long term. In the interim, line ministries must ensure that reporting lines to managers are clearly defined.

A related issue in ensuring accountability is to align performance information in the PMS (implemented by the MoCSAR) with performance information in the PBB. Both have the

same goal of improving efficiency and effectiveness in the public sector, with the PMS focusing on individual performance and the PBB focusing on organisational performance. Thus, it is beneficial to use the same terminology when talking about goals, objectives, outcomes and outputs; it is confusing when each system has a different definition for the same term. The MoCSAR and the MoFEE are working together to ensure the appropriate alignment, with the MoFEE being used as a pilot ministry in this regard.

The experience of implementing PBB in Rwanda

The impetus for PBB in Rwanda

The Public Expenditure Review of 1997/98, undertaken jointly by the Rwandan government and the World Bank, recognised the potential advantages of introducing a medium-term framework for expenditure management. The existing budget was of an incremental nature, focusing on inputs and budget line-items, relying on centralised controls, and had a sharp separation in the planning of the recurrent and development budgets. In particular, the review recognised that converting strategic objectives into concrete expenditure targets would inevitably require large shifts in the allocation of sectoral expenditures, which would be impossible to achieve over the course of one annual budget and would be difficult to manage in the absence of a medium-term expenditure framework (MTEF).

A Design and Implementation Group (DIG) was established in March 1999 to manage the design and implementation of the MTEF reform. The DIG comprised of staff from the Ministry of Finance and Economic Planning (MoFEP) and the Ministry of Public Service, supported by advisers and consultants. With the assistance of the UK Department for International Development, a full-time MTEF project co-ordinator was hired to manage the project.

The introduction of the MTEF encompassed the whole of the government (central, provincial and district) through the development of a strategic planning model, which was the basis for training and project development. All cadres of government participated in training provided by the DIG in the use of the model and its application to budgeting.

Throughout 2000, the DIG concentrated on the development of sector profiles and worked closely with line ministries, provinces and districts to develop programmes and sub-programmes, as well as outputs for their budgets. The government decided to introduce the MTEF system during 2000 so that it might apply for the three-year period 2001–2003.

Implementation challenges

As in Mauritius, there are parallel systems capturing information on budget formulation and budget execution. In Rwanda, it is difficult to report on actual expenditure according to plan, as the budget-formulation data are not in the same format as the budget-execution data.

The non-financial performance information is captured in the budget system, but cannot be monitored automatically within the system. Consequently, it is entered in the system simply for documentation and information purposes. Furthermore, the non-financial performance information that is included in budget documentation is not used adequately to inform budget discussions and allocations for subsequent financial years.

There is no systematic process of actual monitoring of performance against the set targets within line ministries, and this raises the question of the reliability of line ministries' reported achievements. The system of evaluation and monitoring relies heavily on trust. Annual reports and joint sector reviews are only post-mortem assessments. There is also no mechanism in place to ensure that the baseline data of performance measures is reliable and accurate.

The methodology for costing programmes and sub-programmes over the medium term is weak. There is insufficient linkage between the cost of programmes and sub-programmes and their corresponding outputs. Employee costs and overhead costs are grouped together in one 'Management Support' programme across all line ministries.

Despite the fact that training workshops on strengthening the MTEF are conducted every year for different cadres in line ministries, there is no well-structured training programme intended to build sustainable capacity. Thus, capacity is often inadequate in line ministries, and there are numerous requests for support from them during budget preparation.

Throughout the period of implementing the MTEF and PBB, however, the MoFEP has gained greater understanding of the challenges involved and has developed improved working relationships with line ministries. The quality of discussions around budget issues has improved substantially, and the focus has changed completely from negotiating resources for the purchase of inputs to achieving output objectives.

4. The impact of programme-based budgeting

Prior to the second attempt at PBB implementation in 2006, the budget-formulation process was based largely on an incremental approach. Resources were allocated according to line items, and there was no attempt to cost new policy priorities or to persuade line ministries to prioritise and economise on their expenditure. Furthermore, line ministries tended to regard the ceilings set by the MoFEE as the starting point for a bilateral budget negotiating exercise rather than as a firm envelope within which to prioritise expenditure. Consequently, budget submissions were often overestimated, resulting in arbitrary cuts by the MoFEE.

Ultimately, the aim of implementing PBB is to improve service delivery in the public sector. Discussion about assessing the impact of implementing PBB in Mauritius, therefore, should include a review of improvements in service delivery. Recognising that implementation is still in the very early stages, this section will draw attention to areas where PBB has made a noticeable impact on budgetary processes.

4.1 Flexibility and ownership

The introduction of PBB has resulted in a change in the relationship between the BSMD in the MoFEE and the line ministries. There is much more interaction between line ministries and the SMSTs in the budget-preparation process, and the relationship is more collaborative than in the past. The budget timetable has been reorganised and there is now more time available for budget preparation. Many of the line ministries have taken ownership of their budgets and are fully involved in their budget-preparation process. The function of the BSMD has changed from that of preparing budgets for the line ministries to that of providing comment, refinement, quality assessment and co-ordination.

For the most part, the interviewees from the line ministries felt that they now have greater flexibility in determining and managing their own budgets. Ceilings are set at the ministry level, and then the ministry is free to allocate resources across programmes and sub-programmes within the given ceiling. In practice, in ministries such as the MoECHR, where

the personnel costs constitute a large proportion of the budget, such flexibility is constrained to the small percentage of the budget that comprises non-personnel expenditure.

There is also greater in-year budget flexibility, with the change in virement rules. Previously, the MoFEE had to approve all in-year budget changes, but now ministries have a 5% threshold for fund reallocation, subject to the rules set out by the MoFEE.¹⁶ Over and above this, applications can still be made to the MoFEE. There are still rigidities regarding resource reallocations for capital projects, as the rules for these have not been altered. Evaluation of virement rules is important. A 5% threshold tends to work well in countries that have strict fiscal discipline. It is recommended that the 5% threshold should remain for the present in Mauritius, but should be re-evaluated in two years' time in the light of actual historical experience.

Procurement rules have also been relaxed recently. A formal tender is now required only for expenditure above MUR50 million. This has allowed greater flexibility and autonomy for line ministries in budget execution.

4.2 Better resource allocation

Since the implementation of PBB, the BSMD has noticed an improvement in the quality of budget submissions from most line ministries. Initially, budget consultations were characterised by a shopping list of wishes, but now there is a clear shift towards determining priorities and focusing on services to be delivered. The number of ad hoc projects introduced in-year during budget implementation has also decreased, and ministries are better disciplined in this regard. Nevertheless, there are still ministries that submit budget requests exceeding their budget ceilings, without adequate explanation of additional funding requirements or evidence of reprioritisation. There is also evidence of 'gaming', in the form of increasing targets artificially so that it appears that additional funding is necessary, and in the form of asking for extra funding without the actual targets increasing, implying that extra funding is necessary without any commensurate increase in service delivery benefits.

The nature of budget discussions has also changed since the implementation of PBB. Prior to the implementation of PBB, the focus was on the input side of the budget, and the negotiation skills of the ministry concerned played a large role in determining whether extra funding would be allocated. Now, the focus of the budget hearings is on both the service delivery outputs and the mix and cost of inputs that are required to deliver the targeted outputs. Interviewees from the MoECHR suggested that it is easier to get funding for new projects that are government priorities than it was in the past.

According to the SMSTs interviewed, changing the focus of budget hearings is a process that has taken time and that requires improvement, particularly in the areas of policy analysis and the use of performance information therein. The actual approach to the use of non-financial performance information in budget discussions and future budget allocations still needs further development in the budget hearing process and in budget formulation generally. There is inadequate capacity within line ministries to use performance information in the PBB to analyse policy implementation and then to relate this to funding allocations. Using performance information to set ceilings for ministries is an objective for the 2011 budget.

¹⁶ Within a ministry, virement is permitted to a sub-programme/programme, provided that the cumulative reallocations in a fiscal year do not exceed 5 % of the total appropriation for that sub-programme/programme, excluding the appropriation for personal emoluments, maintenance, entitlements, acquisition of assets and special funds under the Finance and Audit Act.

It was also pointed out that the introduction of PBB has helped ministries to set priorities and, thus, has made it easier to ensure that resources are better allocated to these priorities. This has not been backed up by any empirical analysis, however, as the change of calendar year and short implementation period have not allowed for such analysis.

4.3 Performance orientation and accountability

The implementation of PBB has increased awareness of performance and the need to monitor the achievement of targets. In some ministries, PBB has improved accountability, and chief executives are beginning to use the PBB as a management tool. Although individuals within ministries are more aware of their accountability in achieving certain outputs, the link between the civil service PMS and the PBB remains weak.

The presentation of performance information has improved over time, as has the quality of the information in some ministries. In the 2007/08 and 2008/09 budgets, performance indicators and targets were combined in one field and stated for only the current year. In the 2010 budget, performance indicators are stated separately from targets, and targets are published for all three years of the MTEF. Table 3 illustrates an example of such improvement in the Maritime Services Programme of the MoPILT&S.

Table 3: Maritime Services Programme, MoPILT&S, 2007/08 and 2010

2007/08 Budget

<i>Output</i>	<i>Performance indicator</i>
O1: Inspection of Flag Ships	P1: Number of inspections carried out to increase from 282 in 2006/07 to 300 in 2007/08
O2: Port State inspections	P1: Number of inspections carried out to increase from 27 in 2006/07 to 50 in 2007/08

2010 Budget

<i>Output</i>	<i>Indicator</i>	<i>2009 baseline</i>	<i>2010 target</i>	<i>2011 target</i>	<i>2012 target</i>
O1: Ships registered under the Merchant Shipping Act (to ensure compliance with national and international maritime standards)	P1: Number of Flag State Audit inspections on vessels (registered under Mauritian flag)	2	5	7	9
	P2: Average time taken for survey on seaworthiness of vessels (working days)	5	5	5	5

Despite the improvement, according to the SMSTs interviewed, there is still a tendency for ministries to be overly conservative when stating targets. In an effort to ensure more realistic targets, the MoFEE has set up a quality assurance team.

4.4 Transparency and access to information

Generally, the quality and quantity of information has improved with the implementation of PBB. MoFEE officials believe that the Cabinet is now in a better position to set targets and

priorities based on information in the PBB. Line ministries feel that financial administration is easier with the more readily available information.

Debates in the NA are now more focused on targets and achievements, rather than on line-items. A member of the NA who was interviewed expressed the view that PBB has improved transparency, but that greater ownership and awareness are needed to really achieve the potential benefits of the PBB approach.

The NA has yet to make full use of the information in the PBB. Members have neither the required capacity nor the external support to make good use of the information; and the information is not analysed adequately, because of time constraints and members' regular workloads.

Questioning in the Supplies Committee (procurement) has shifted, and there is more extensive interaction with the ministries. With the new documentation, members are better equipped to ask relevant questions of ministers regarding achievements in service delivery. Questions can also be asked about performance monitoring and staff capacity, whereas in the past questions related only to under- or over-spending.

5. Conclusion

In the three years since the 'indicative PBB' was presented to the NA, the government of Mauritius has made huge progress in the implementation of PBB. The MoFEE has ensured an enabling environment for PBB with the requisite changes to the legal and institutional framework. The budget has been restructured using a programmatic approach, and performance information is included in the budget documentation. A sense of performance orientation has been instilled across government and there is ongoing communication and consultation between the MoFEE and the line ministries.

Now that the system is stabilising, Mauritius must build on existing reforms and focus on deepening the reform process. The MoFEE must ensure consistency in the use of concepts and terminology. Line ministries should review their programme structures, outputs and indicators to make sure that they are relevant and appropriate.

One of the main aims of introducing PBB in Mauritius was to make the budget process more policy oriented, using PBB as a tool to allocate limited resources to services that provide the greatest social benefit. Recognising that strategic policy analysis aligned to budgeting is a process that takes time to institutionalise, this remains a challenge for Mauritius. Specific areas that require focus are the development of strategic plans to be used in ensuring linkages between policy priorities and resource allocation, and the enhancement of the skills of budget analysts to perform in-depth budget and policy analysis, which informs resource allocations that are aligned to targeted outputs and outcomes. Further mechanisms should be developed to monitor and evaluate service delivery in relation to spending, which should then inform the next round of planning and budgeting.

The challenges faced by the MoFEE and line ministries are common challenges that most countries are confronted with when embarking on the implementation of a reform such as PBB. Any country wishing to implement PBB reforms should ensure that the basic building blocks of a public financial management system are in place. These include credible annual line-item budgeting, the ability to cost services, functioning internal and external control

systems, and mechanisms to meet the extra requirements for information demand. Some of the major issues relating to implementation are considered below.

Implementation strategy

A well-thought-out implementation strategy and plan is necessary for identifying what needs to be done and in what sequence. The plan should set out the requirements for an enabling environment, as well as specific activities for PBB implementation, time frames for achieving these, and the responsible organisational units and officials.

Conceptual design

It is important to obtain agreement on terminology, concepts and formats as early in the process as possible (preferably in the piloting phase), and to ensure appropriate capacity-building for all implementers. For accountability purposes, it is critical to have a unique link between organisational unit and programme structure at the sub-programme level (or programme level if there are no sub-programmes).

Alignment of planning and budgeting

To use PBB as a management tool for linking plans with budgets, each line ministry should have a strategic plan, which should be used as the basis for developing a programme structure and for informing resource allocations to programmes and sub-programmes. A sector plan is a useful tool for ensuring co-ordination and alignment across ministries that have related functions. Sector planning should include the appointment of a lead ministry to co-ordinate the work of the sector.

Appropriate performance information

Ultimately, PBB should result in improved service delivery. To reap the benefits of the PBB outcomes, outputs and performance measures/indicators should be defined simply and applied consistently across all ministries. Performance measures and targets that are meaningful and reliable indicators of the functions of the particular ministry should be chosen. Over time, this should be demonstrable by means of empirical analysis.

Aligning budgets with performance

Beneficial use of the additional information provided in a PBB requires an ability to analyse budgets in relation to expected performance. Budget analysts, in particular, must be able to assess whether ministry budgets reflect policy priorities, whether programmes are efficiently costed, relative to intended performance, and whether the projected performance is achievable.

Accounting and information systems

The ability to record and account for spending according to programmes is vital. This may require changes to the COA and a review of the existing financial management systems, which should be able to handle the additional classification requirements.

Monitoring and evaluation

Mechanisms are required to monitor and evaluate programme performance from both a financial and a non-financial perspective. The finance ministry must decide on the frequency and timing of reports, taking into account the information systems available. Reports should integrate financial and non-financial performance information. Systems must be developed for in-year monitoring and end-of-year evaluation by line ministries and the finance ministry.

The monitoring and evaluation results must feed into the strategic planning process, which should include reviewing and revising policies, objectives, programmes and outputs.

Transparency and accountability

The implementation of PBB produces increased information. Improved transparency of budgets requires this information to be included in the budget documentation submitted to Parliament. This is a necessary, but not sufficient, condition for enhanced accountability and oversight. It is crucial that members of Parliament and civil society are able to use the information presented to them, and this requires capacity-building initiatives, as well as the possibility of setting up a research unit in Parliament to assist with policy and budget analysis.

References

- Republic of Mauritius (2010) *Manual for programme-based budgeting*. Available at: <http://www.gov.mu/portal/goc/mof/files/PBBmanual.pdf>
- Sipu (Swedish Institute for Public Administration) (2007) *Public financial management: Performance assessment report for Mauritius*, Project No. 2006/129349. Available at: <http://www.gov.mu/portal/goc/mof/files/pefa.pdf>
- World Bank (2007) *Mauritius country economic memorandum: Managing change in a changing world*. Washington DC: World Bank.

Interviews were held with officials from:

- The Budget Strategy and Management Directorate, MoFEE
- The Knowledge and Human Capital Directorate, MoFEE
- The Public Expenditure Management System and Review Directorate, MoFEE
- The Accountant General's Office of the Treasury Department, MoFEE
- Sector Ministry Support Teams, MoFEE
- The National Audit Office
- The Ministry of Health and Quality of Life
- The Ministry of Education, Culture and Human Resources
- The Ministry of Public Infrastructure, Land Transport and Shipping

Appendix A: PBB glossary

<i>Definition</i>	<i>Examples</i>
<p>Outcomes Outcomes are changes in the economic, physical, social and cultural environment, which the government tries to influence through its provision of services (outputs). For accountability purposes, it is important to understand that supervising officers cannot be held directly accountable for delivering outcomes, as the achievement of outcomes is also subject to external influences beyond their control, but they should undertake analysis in key areas on the link between the services provided and the outcomes.</p>	<ul style="list-style-type: none"> • Decrease in preventable diseases • Increase in life expectancy • Enhanced competitiveness of the country • Reduced incidence of crime • Reduction in the number of repeat crimes by prisoners within 5 years after release • Reduction in the number of road accidents and fatalities
<p>Services These are outputs provided by ministries/departments to beneficiaries (directly or through other organisations). Beneficiaries are the public, service users, Parliament, the government, ministers, other government entities, and public and private sector organisations.</p>	<ul style="list-style-type: none"> • Vaccination services • Tax audits • Studies of sectors of the economy to identify areas where regulatory and other barriers to growth can be reduced • Prisoner rehabilitation services • Criminal court cases completed • Home health care visits • Inpatient/outpatient consultations • Road-safety education campaigns
<p>Activities These are the tasks undertaken to deliver the services. This level of specification is not used in the formal PBB documents, but appears as part of the implementation plan.</p>	<ul style="list-style-type: none"> • Compiling a registry of children • Work planning for vaccinations • Processing of financing applications • Attending meetings • Maintaining personal files of prisoners • Driving to school for education campaigns • Printing of brochures • Working on a framework for strategic planning
<p>Service standards</p> <p>These can be defined as the measurement of an objective to be met, a resource mobilised, a gauge of quality or a context variable. Service standards demonstrate how to measure elements of programmes or sub-programmes.</p>	
<p>Quantity standards Quantity can be expressed in a variety of ways:</p> <ul style="list-style-type: none"> • Number of services (outputs) • Estimate 'X' numbers of licenses issued • Estimate 'X' number of civil judgment orders served or executed • Estimate 'X' serious offence investigations • Estimate 'X' days of custodial services for prisoners in maximum security (total number of prisoner days) 	<ul style="list-style-type: none"> • Search and rescue services roster for active duty maintained 24 hours/day, 365 days per year, in accordance with the Rescue Service Manual • Ambulance services have a response capability permitting delivery of critical cases to a major hospital within 60 minutes for 60% of the population • All needy children in 229 pockets of poverty as identified by Ministry of Social Security • If you use a % coverage measure, such as 90% children immunised, you must also use the total quantity to measure (raw number) or the % measure is not very informative. This is particularly the case when a % change is measured, as a 10% change on a raw

	number of 1 000 is very different to a 10% change on a raw number of 10 000.
<p>Quality standards</p> <p>Quality indicators can be broadly divided into:</p> <ul style="list-style-type: none"> • Indicators that help to assess the performance of an organisation from the perspective of the client • Indicators that relate the performance of services to an approved or accepted standard; • Timeliness – being able to deliver services during a specified time period. 	<ul style="list-style-type: none"> • Satisfaction surveys or service delivery surveys • % of draft letters accepted by minister without requests for changes • Average percentage pass rates • No breaches of national road maintenance standards • Reduced justified complaints against prison staff officers • 90% prosecution of criminals concluded within the year • 95% of applications for licenses processed within 10 days
<p>Efficiency standards (where relevant)</p> <p>Efficiency concerns the relationship between inputs and outputs, and measures the extent to which outputs are being maximised for given inputs going into a process (unit output cost is the usual measure). A falling ratio would indicate that efficiency is improving, but be aware of the need to consider this in the context of the quality and complexity of the service. For example, a decline in cost per student as a result of reducing the number of teachers to pupils can indicate deterioration in quality rather than a lift in efficiency. A rise in the cost per water point might reflect the increasing costs of new technology that is more effective and durable, rather than reflecting a deterioration in efficiency. When you use efficiency measures, make sure you consider them in relation to access to the service and the quality of the service.</p>	Unit cost (also referred to as cost per unit) divides total costs by the number of units produced or services provided, such as cost per student in school, cost per inpatient discharged, cost per outpatient for health centres, cost per km of road constructed, cost per water point established.
<p>Equity standards</p> <p>These refer to how the services are targeted at the beneficiaries, and could be based on gender, region, specific group of people (e.g. people with disabilities), etc.</p>	<ul style="list-style-type: none"> • These services will be delivered to all children from the 229 pockets of poverty identified by the Ministry of Social Security • The Port Louis Desforges Street hawkers will benefit from this service
<p>Constraints</p> <p>These are constraints that should be external to your institution, over which you have no control and which prevent your institution from delivering the services or achieving the service standards. They should not include human resources and financial constraints.</p>	<ul style="list-style-type: none"> • Financial clearances not completed in time • Draft legislation not processed by the State Law Office • Tender process not complete by time of procurement • Slow processing of requests by another ministry.

Ministry of Public Infrastructure, Land Transport, and Shipping						
PROGRAMME 322: Construction and Maintenance of Government Buildings & Other Assets						
Outcome: Properly designed, effectively developed and well maintained government buildings to meet the increasing needs of the public sector for space requirements and ensure existing buildings are fully functional.						
SUB-PROGRAMME 32202: Design and Supervision of the Construction of Buildings and Related Infrastructure.						
DELIVERY UNIT	SERVICE to be delivered	PERFORMANCE				
		SERVICE STANDARDS	2010 Baseline	2011 Targets	2012 Targets	2013 Targets
Public Infrastructure Division	O1: Tender documents for approved projects completed for launch of tender in 2008-09.	Projects in Education sector	24	26	18	14
		Projects in Health sector	7	12	6	4
		Projects in Police Dept.	2	2	1	2
		Projects in Prisons	4	3	5	4
		Projects in Judiciary	2	3	2	1
		Projects in Fire services	1	1	0	1
		Other Projects	7	10	4	6
Etc.	Etc.	Etc.	Etc.	Etc.	Etc.	

Appendix B: Draft budget calendar

January	Drafting of strategic plans Development of the macro fiscal strategy Change of programme/sub-programme structure for Health and Education Issuing of budget circular for PBB Monitoring Issuing of budget circular for PSIP Improvement and update of National PBB (services, service standards, etc.)
March	First draft of strategic plans 1st quarterly performance report TAS computerisation of monitoring and reporting framework
May	Establish ceilings from macro fiscal strategy, and issuing of budget circular with ceilings
June	Strategic plans finalised Development of annual operational plans 2nd quarterly performance report
August	Annual operational plans finalised Update of PBB Non-Financial, based on strategic and operational plans Budget Submissions by Line Ministries and Departments (August)
September	Commence estimates committees for Human Resources (1–15 September) Financial resources estimates committees (20 September–5 October) 3rd quarterly performance report
October	Finalisation of budget estimates 2011–2013 by SMSTs (16 October–5 November)
November	Printing of annual budget estimates, 2011–2013 (12 November) Budget Day (15 November)
December	Closing of accounts 4th quarterly performance report

Appendix C: Design of budget programme structure

Design of budget programme structures

These guidelines should be followed:

1. The budget programme structure should be established and reviewed as an activity in the preparation of the departmental strategic plan.
2. It should be based on the service delivery, enabling and common service functions to be performed by the department.
3. It should correspond closely to the organisational structure, although it may not be identical. The budget programme structure and organisational structure should be defined simultaneously as a part of the preparation of the strategic plan.
4. The budget programme structure for national concurrent function departments should be designed to logically interface with the programme structure that has been determined for the provinces.
5. Programmes and sub-programmes should not be established simply because new senior manager posts are added to the organisational structure.

Definition of programmes

1. *Budget programme structure should correspond to main lines of service delivery and enabling functions performed by the department.* Programmes should be substantive. However, in practice they may vary significantly in size.
2. *Each programme should be confined within a single department.*
3. *All departmental functions should fall within programmes.* Each and every function and activity undertaken by a department should be included in relevant programmes. There should be no unassigned activities or functions.
4. *Names of programmes.* Each programme should have a distinct name, which provides a succinct description of the main objectives. For example, two programmes in one department may not each contain a sub-programme called 'Management'. There should be a unique identifier to distinguish between the two (e.g. 'Grant management' and 'Licences management'), except in specific cases where there has been agreement with the National Treasury. Care should be taken to avoid duplication of programme names used by provincial and national departments. Names of programmes should not contain verbs.
5. *Administration programme.* Each department should have a single programme entitled 'Administration'. The Administration programme should be limited, and should be confined to common services delivered for the department as a whole and which are non-departmentally specific in nature. The Administration programme should not include functions involving service delivery to the public or departmental-specific enabling functions performed in support of other programmes.

Definition of sub-programmes

1. *Sub-programmes are parts of programmes.* Sub-programmes should be created for the delivery of subordinate services and activities within a programme.
2. *Sub-programmes within administration.* The Administration programme should normally include the following sub-programmes:
 - (a) Sub-programme: The Office of the Minister or Member of Executive Council (MEC), which includes the minister's or MEC's and deputy minister's salaries, direct office support costs, their travel costs and that of their staff, and salaries of all advisory staff, as well as residential and car allowance(s).
 - (b) Sub-programme: Department Management, which includes the costs of the director-general and the programme manager of the Administration programme. The salary, allowances and other support costs of other deputy directors-general or managers for other programmes should be assigned to the programme or sub-programme where they are located. If the programme manager is located in another sub-programme (e.g. Office of the Chief Financial Officer or Corporate

Services) within the Administration programme, then this sub-programme will only account for the costs of the director-general's office.

(c) Sub-programme: Corporate Services, which includes human resources and information technology functions and activities.

(d) Sub-programme: Office Accommodation, which includes activities and costs relating to office accommodation functions provided by the Administration programme. Where office accommodation functions relating to other programmes of the department can be identified, they should be assigned to the relevant programme or sub-programme.

(e) Sub-programme: Office of the Chief Financial Officer, which includes management of the financial administration;

(f) Sub-programme: Internal Audit, which is a separate sub-programme, recognising that the reporting channel for the Head of Internal Audit is not through the programme manager of the Administration programme.

(g) Sub-programme: Legal Services, except where a department renders legal services to other government departments, in which case legal services should fall under another relevant programme.

(h) Sub-programme: Communications, as a separate sub-programme under programme 1.

3. *Names of sub-programmes.* Each sub-programme should have a distinct name, which provides a succinct description of the core services and activities. Sub-programme names should not be duplicated in provincial and national departments. Names of sub-programmes should not contain verbs.
4. *Policy formulation and advisory functions.* Strategy and policy formulation functions should normally be assigned to a dedicated programme or sub-programme, and should not fall under the Administration programme, especially in concurrent function national departments, which play a key role in setting sectoral policy. Where the policy formulation role is limited to the policy framework for a specific and restricted area of service delivery undertaken by a programme within a department, the policy formulation role will form a sub-programme within the relevant service delivery programme. Policy advisers attached directly to the office of the minister, the MEC, and the deputy minister or the director-general should be assigned to the relevant sub-programme in the Administration programme.
5. *Regulatory functions.* Many departments at both national and provincial level perform regulatory functions. Such regulatory functions may relate to the preparation, review and amendment of legislation or to the enforcement of legislation. In some cases, national departments perform a regulatory function for acts that are enforced by provincial departments. As a general rule, regulatory functions relating to a single legislative instrument or closely related group of acts may be assigned within a single programme, but with the legislative review and enforcement functions assigned to separate sub-programmes.
6. *Public entities.* All national and provincial public entities (including government components, government business enterprises and specialised service delivery units) fall within the scope of a programme or sub-programme responsible for their oversight or transfer of funds. All the transfers to entities should be recognised as sub-programmes under relevant programmes.
7. *Constitutional institutions.* Constitutional institutions, as listed in Schedule 1 of the PFMA, do not form part of any departmental programme structures, since they are established as independent juristic entities reporting only to Parliament. However, transfers to provide financing for these bodies must appear as a single budget line for each constitutional institution under the appropriate departmental programme/sub-programme.
8. *Conditional grants.* These must be incorporated and accounted for within the programme, and where possible the sub-programme, from which the activity that is targeted is being funded. Where a conditional grant provides funding for activities that are allocated within two or more programmes, it should be reflected both in the source programme (national department's programme) and in programmes where the activities are taking place (provincial department's programme).

Appendix D: Framework for strategic plan

FRAMEWORK FOR STRATEGIC PLAN														
Ministry/Department:														
SERVICES TO BE DELIVERED	MAIN ACTIVITIES	Beneficiaries (4 or less)	SERVICE CODE (Use same Code as in 2009 Budget for Existing Outputs)	SERVICE STANDARDS (Performance Indicators)									USE OF HUMAN RESOURCES	
				QUANTITY			QUALITY including TIMELINESS			EFFICIENCY & EQUITY				
				Description of Service Standards	2009 Baseline (When relevant)	Projected 2010 level	Description of Service Standards	2009 Baseline (When relevant)	Projected 2010 level	Description of Service Standards	2009 Baseline (When relevant)	Projected 2010 level	Current	Projected 2010 level
Delivery Unit:														
Name PROGRAMME / Code:														
Name SUB-PROGRAMME / Code (Complete this form for each Sub-Programme and if there are none, then for each Programme):														
OUTCOMES influenced by this Programme / Sub-Programme:														
Existing SERVICES (or outputs) for this Programme or Sub-Programme														
etc.														
Proposed New SERVICES for this Programme or Sub-Programme														
etc.														

Appendix E: Budget submission format

PART A: OVERVIEW OF MINISTRY / DEPARTMENT

Strategic Note

List of Programmes, Sub-Programmes and Priority Objectives

Summary of Financial Resources

Summary of Funded Positions

PART B: OUTPUTS - SERVICES TO BE DELIVERED AND PERFORMANCE INFORMATION (Outcomes / Delivery Units / Outputs / Performance Indicators and Targets)

Programme XX1: Policy and Management

Programme XX2:

Programme XX3:

Programme XX4:

PART C: INPUTS - FINANCIAL RESOURCES

Summary by Economic Categories

Summary for Year 2010 by Programmes and Sub-Programmes

Programme XX1: Policy and Strategy

Programme XX2:

Programme XX3:

Programme XX4:

PART D: INPUTS - HUMAN RESOURCES

Funded Positions by Programmes / Sub-Programmes

Staffing (Funded Positions) by Programmes / Sub-Programmes for 2010

Appendix F: Example of criteria for evaluating budget requests

Criteria for evaluating of budget requests														
Description of Initiative	Amounts requested			Evaluation Criteria										Rating S
	2010	2011	2012	1	2	3	4	5	6	7	8	9	10	%
Initiative 1	10 000	11 000	12 000	2	2	2	1	1	0	1	1	0	1	85%
Initiative 2	45 000	55 000	65 000	2	2	2	1	0	1	1	0	0	1	77%

Criteria 1 - 3 must be satisfied if an initiative is to be considered

Measurement Criteria:

1. Is it clear that the initiative contributes to the government policy priorities?
(Yes = 2 and No = 0)
2. Has the department provided credible service delivery information with initiative submitted? (Yes = 2 and No = 0)
3. Is the initiative aligned to the core functions? (Yes = 2 and No = 0)
4. Have alternative policy options been considered? (Yes = 1 and No = 0)
5. Has the department undergone a thorough reprioritisation with a view to fund part of the initiative from within budget? (Yes = 1 and No = 0)
6. Is the costing / initiative realistic? (Yes = 1 and No = 0)
7. Has the department consistently under-spent its budget (by a margin of more than 3%) over the last 2 - 3 years? (No = 1 and Yes = 0)
8. Has the effect on other entities/individuals been considered? (Yes = 1 and No = 0)
9. Are the risks manageable? (Yes = 1 and No = 0)
10. Has there been adequate political involvement in the budget formulation process? (Yes = 1 and No = 0)

Source: CABRI Presentation by Dr Kay Brown and Julia De Bruyn (June 2007)

Appendix G: Chart of Accounts

Table A1: The 8 segments of the COA

<i>Element</i>	<i>Ministry/Dept./Cost-centre</i>	<i>Prog./Sub-prog.</i>	<i>Economic class.</i>	<i>ID Code</i>	<i>Analysis</i>	<i>Activity/Project</i>	<i>Misc.</i>	<i>Output</i>
Segment number	1	2	3	4	5	6	7	8
Number of characters	7	5	8	3	8	7	5	1

- *Ministry/Department/Cost-centre* identifies the ministry or department and the specific cost centre that requires funding and that will be responsible for spending such funds and accounting for such expenditure.
- *Programme/Sub-programme* identifies the specific programmes and sub-programmes introduced by the ministry.
- *Economic classification* identifies the specific input items to be purchased in order to deliver the outputs of the programmes and sub-programmes.
- *ID Code* is included for the identification of authority (departmental warrant) issued by one department to another to spend resources on its behalf.
- *Analysis* provides for an independent, detailed analysis code that is linked to the economic classification and provides for further detail on items of revenue and expenses, should such detail be required.
- *Activity/project* provides a further level of classification, which identifies all recurrent activities and capital projects that make up the sub-programmes and programmes.
- *Miscellaneous* is a spare field that caters for any later additions.
- *Output* is the actual outturn (as opposed to the budgeted amount). The default is zero and the actual outturn is entered at the end of the financial year.

Appendix H: Example of a reporting format

Programme 1

Financial information

	Budget Q1	Actual Q1	% variance	Budget Q2	Actual Q2	% variance	Budget Q3	Actual Q3	% variance	Budget Q4	Actual Q4	% variance	Cumulative Budget	Cumulative Actual	% variance	C
SP1																Y
Current																
Capital																
SP2																
Current																
Capital																

Performance information

	Target Q1	Actual Q1	% variance	Target Q2	Actual Q2	% variance	Target Q3	Actual Q3	% variance	Target Q4	Actual Q4	% variance	Cumulative Target	Cumulative Actual	% variance	C
SP 1																Y
PI																
P2																
Project 1																
Project 2																
SP2																
PI																
P2																
Project 1																
Project 2																

Reasons for variances if not on course

Corrective action to be taken

