



PROGRAMME-BASED BUDGETING

Experiences and lessons from Namibia



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CABRI JOINT COUNTRY CASE STUDY (JCCS)
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List of acronyms and abbreviations

CABRI	Collaborative Africa Budget Reform Initiative
ERE	Estimates of Revenue and Expenditure
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
JCCS	Joint Country Case Study
MBPB	Managing the Budget on a Programme Basis
MoF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
MTP	Medium-Term Plan
NDP	National Development Plan
NPC	National Planning Commission
OMA	offices, ministries and agencies
OPM	Office of the Prime Minister
PEMP	Performance and Effectiveness Management Programme
PER	public expenditure review
SOE	state-owned enterprise

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Executive summary

Namibia's long and winding programme-budgeting journey has been arduous at times, with potholes that had to be negotiated and refuelling stops that sometimes took longer than anticipated. During other portions of the trip, with the wind at its back, the reform enjoyed significant and speedy progress. Today, it is probably fair to estimate that Namibia is approximately two-thirds of the way to completing its programme-budgeting reform. The basic building blocks are in place, and the next challenge is to consolidate the reform.

The journey began as far back as 1995 when President Nujoma stated that:

Namibia's planning, budgeting and accounting system must become increasingly integrated. Without proper planning, we cannot realise full accountability and transparency, both of which are important elements in our young democracy. (Smith n.d.)

In 1996, the Cabinet took a decision that formed the basis of the move towards programme budgeting when it resolved that the Office of the Prime Minister (OPM) should establish a unit within the Cabinet Secretariat to co-ordinate the processes of departmental planning, objective-setting and budgetary management in close co-operation with the Ministry of Finance (MoF) and National Planning Commission (NPC). This kind of co-operation ultimately led to the development and piloting of the Performance and Effectiveness Management Programme (PEMP) in 1999, which aimed to introduce performance-based measures in public policy implementation. Since 2001, the annual budget of Namibia has been presented within a rolling three-year Medium-Term Expenditure Framework (MTEF). In 2004, Namibia began implementing a partial system of programme budgeting, with the first Medium-Term Plans (MTPs) published as part of the MTEF document, in parallel with the legal basis of appropriation control, namely the Estimates of Revenue and Expenditure (ERE). Several related reforms, such as the introduction of Accountability Reports for Offices, Ministries and Agencies (OMAs), underpinned by Ministerial Targets, were rolled out between 2005 and 2008. Thus, by 2008, Namibia had completed the 'development phase' of its programme-budgeting reforms, in terms of which it had succeeded in putting in place a parallel system of budgeting and reporting on a presentational basis.

Since 2009, the MoF has taken steps attempting to consolidate the reform. Principally, this has involved modifying the expenditure management and accounting system so that each OMA might start to account and report budget expenditures fully on a programme. Unfortunately, the process stalled as capacity to roll out the changes in the way OMAs perform cost-accounting activities was not established. A 'new approach to programme budgeting' was announced in the 2013 budget circular, whereby OMAs would be required to make an explicit linkage between administrative units and programme activities. While such assignment on a one-to-one basis eliminates the need for proper cost allocation and, therefore, simplifies programme cost-accounting, it could create a new set of challenges that might diminish the managerial and performance benefits that can come from a good programme-budgeting system.

Despite these recent challenges, Namibia has achieved significant progress and has done many of the right things in conceptualising, implementing and utilising programme budgeting. The record in terms of real and tangible benefits of programme budgeting in Namibia is mixed. In respect of managerial autonomy, empowerment and accountability, little has changed with this reform, because the flexibility that should be afforded to managers when they account on the basis of results rather than inputs (including certain public finance and public service regulatory changes) has not been forthcoming. The quality of allocative recommendations may have benefited from the increased availability of performance information that is now a feature of the budgeting

process. However, the impact is muted because the volume of information may be excessive, the reliability of the information is questionable and the time and other capacities for proper analysis have not been created. In terms of improving the performance orientation of the government towards results, there is a perception that things have improved due to the greater attention paid to targets and objectives, as well as the national development plan and the increased focus on strategic planning by the OPM. Finally, with regard to increased transparency and participation, there is a sense that stakeholders are in a much better position to scrutinise the performance of the government as a result of the various budget publications that help shine a light on sectoral performance trends.

The time has come to reinvigorate and consolidate the reform. While several initiatives could be implemented to this end, the single most impactful next step that the MoF could consider is to redouble its efforts to improve communication, clarity of message and consultation among the various stakeholders and role-players, especially the NPC, OPM, Auditor-General, Parliament and, most critically, OMA.

In addition, certain initiatives could be implemented over the coming two or three years to stabilise the reform and consolidate successes. These include:

- publishing a programme-budgeting manual;
- allowing differentiated methods for cost accounting on a programme basis;
- rolling out the accounting and financial reporting procedural modifications;
- modifying the appropriation control regime to programmes;
- merging the MTEF and Estimates budget documents into a consolidated budget document so that programme, activities and input-based line items are presented together for both operational and development spending;
- merging the accountability and financial reporting system so that key administrative data, performance information and financial information can be presented in a consolidated and timely manner;
- incorporating budget programmes fully in planning, monitoring and evaluation processes and frameworks so that performance information may be presented on a programme basis to ensure better analysis of economy, efficiency and effectiveness; and
- working with the Auditor-General to develop efficient, risk-based auditing procedures to verify and validate the honesty and integrity of the reported performance of OMA.

1. Introduction

The purpose of the Joint Country Case Study (JCCS) of Namibia's programme-budgeting reform is to reflect on the reform journey and to share information on the experience for the benefit of peer countries that are considering, implementing or optimising such reform. The study also forms part of a growing body of knowledge that CABRI continues to develop on broader budget reforms sweeping across the continent, which are aimed at promoting and sustaining economic development through good public financial governance.

This is the second JCCS. The first was conducted in 2010, and focused on programme-based budgeting reform in Mauritius. This JCCS follows the same methodology and general approach to promote comparability and consistency, and to ensure that Namibia's successes, challenges and lessons in introducing programme budgeting are fully explored.

The JCCS process assists the CABRI network in building a resource base of in-depth country studies on specific areas of budget reform by providing objective assessments by external teams including members from peer countries and the CABRI Secretariat. A team of senior budget officials from Botswana (Ms Maphorisa and Ms Keorapetse), Kenya (Mr Kimemia) and Sierra Leone (Mr Conteh), along with members of the CABRI Secretariat, supported this study.

Support for this study was provided by the Namibian Ministry of Finance, which facilitated the gathering and sharing of documents and the setting-up of most of the structured interviews. The study has also been enriched by the existence of a plethora of research papers covering different aspects of the extended history of programme-budgeting reform in Namibia, dating back to the mid-1990s.

In order to elaborate fully on the Namibian experience, this study: (i) describes and analyses the conceptual design of programme budgeting in Namibia; (ii) illustrates the implementation strategy, and identifies successes and challenges; and (iii) reflects on the results of programme budgeting, including improvements in budgetary outcomes and results-based management capabilities within line ministries.

2. Background and reform journey

Namibia has experienced an extended, but still unfinished, programme-budgeting reform journey that began as far back as 1995 when President Nujoma stated that:

Namibia's planning, budgeting and accounting system must become increasingly integrated. Without proper planning, we cannot realise full accountability and transparency, both of which are important elements in our young democracy. (Smith n.d.)

This led to a 1996 Cabinet decision that formed the basis of the move towards programme budgeting. The Cabinet resolved that the Office of the Prime Minister (OPM) should establish a unit within the Cabinet Secretariat to co-ordinate the processes of departmental planning, objective-setting and budgetary management in close co-operation with the Ministry of Finance (MoF) and National Planning Commission (NPC) (Randal n.d.). This kind of co-operation ultimately led to the development and piloting of the Performance and Effectiveness Management Programme (PEMP) in 1999, which aimed to introduce performance-based measures in public policy implementation. Along with other reforms, such as the introduction of a Medium-Term Expenditure Framework (MTEF) and National Development Plan (NDP), Namibia aimed to 'enhance the development impact and efficiency of the National Budget' (Budget Statement, March 1999).

Since 2001, the annual budget of Namibia has been presented within a rolling three-year MTEF. The 2001 MTEF budget document also indicated, for the first time, how the government intended to proceed with its programme-budgeting approach. It contained three-year expenditure plans, based on a macro-economic forecast and a fiscal stance designed to constrain the deficit and level of debt stock. It also sought to explain the policy priorities behind the key expenditure decisions, and contained the strategic outcome-based elements of PEMP.

In 2004, Namibia began implementing a partial system of programme budgeting, with the first Medium-Term Plans (MTPs) prepared and published as part of the MTEF document, in parallel with the legal basis of appropriation control, namely the Estimates of Revenue and Expenditure (ERE). The MTPs set out for each Office, Ministry and Agency (OMA) the priorities for the three years, objectives, programmes and activities, and the allocation of funds by programmes and sources of funding. In addition, the MTPs included consolidated financial data on the operational and development budgets (as well as on-budget and off-budget donor assistance) and on state-owned enterprises (SOEs). Thus, the MTPs formed an important milestone in the programme-budgeting reform journey, as OMAs were required to prepare their budget submissions in the form of programmes. Until 2011, the MTPs also incorporated the PEMP measures and targets, at which time a decision was taken by the MoF to no longer publish the PEMP information, as the relevance and integrity of the information had become increasingly questionable. This represents a pause in the gradual, sometimes staccato, implementation of programme budgeting in Namibia, which will be explored further in the sections below.

Another milestone in the journey was achieved in 2005 when the MoF tabled the MTEF in Parliament as the official document supporting the Appropriation Bill. While this did not change the basis of appropriation control, which to this day remains the legacy method of main divisions (i.e. administrative units) and sub-divisions (i.e. input-based line-items), it sent an important message that scrutiny of the budget by Parliament should be informed by outcomes and outputs, not just the volume of inputs.

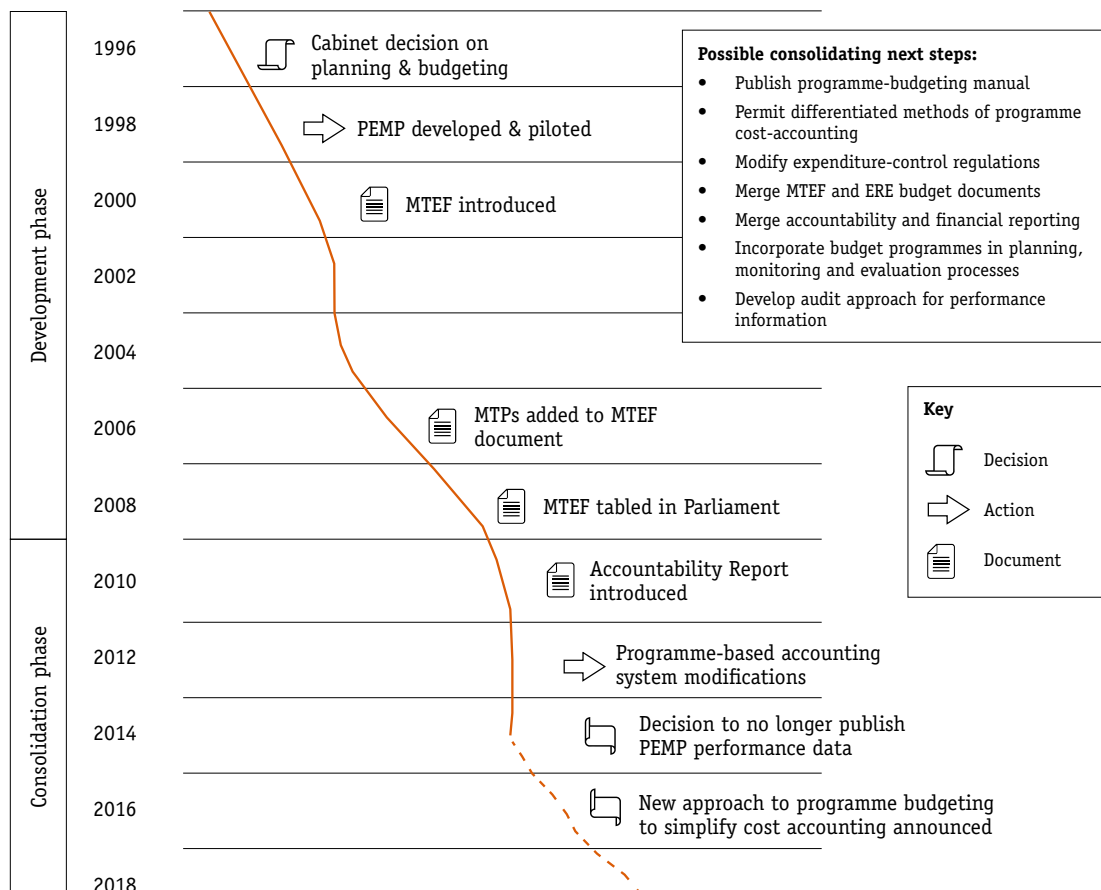
One of the final steps in the 'development phase' of Namibia's programme-budgeting reform was the introduction in 2005 of the Accountability Reports for OMAs, underpinned by a selected set of Ministerial Targets. These targets, which were included in the MTPs for the first time in the

2006 Budget and the Accountability Reports for 2006/07, were a key feature of the 2007 budget hearings and were published alongside the 2008 Budget. By 2008, Namibia had completed the 'development phase' of its programme-budgeting system, in terms of which it had succeeded in putting in place a parallel system of budgeting and reporting on a presentational basis.

Since 2009, the MoF has taken some steps in an attempt to entrench the reform. Principally, this has involved modifying the expenditure management and accounting system so that each OMA could start to account and report budget expenditures fully on a programme basis, to facilitate many of the managerial and performance benefits that can come from a good programme-budgeting system. However, even though a new segment was added to the accounting system in 2012, it is not yet in use by all OMAs. In addition, a 'new approach to programme budgeting' was announced in the 2013 budget circular, in terms of which OMAs would be required to make an explicit, indivisible linkage between administrative units and programme activities. While this assignment or mapping on a one-to-one basis eliminates the need for proper cost allocation and, therefore, simplifies programme cost-accounting, it could create a new set of challenges, including accounting for the activities of units performing enabling functions that contribute to multiple programmes, and it could reinforce the tendency to design programmes that conform to organisational structures instead of outcomes.

As shown in Figure 1, it is probably fair to estimate that Namibia is approximately two-thirds of the way to completing its programme-budgeting reform journey. The basic building blocks are in place. The next challenge is to consolidate the reform through, for example, accounting system and procedure modifications, and integration with strategic planning and performance monitoring and evaluation processes. These and other implementation challenges, as well as successes and possible next steps, are explored in detail in the sections below.

Figure 1: Namibia's programme-budgeting reform journey



3. Conceptual design

The focus in this section is to describe and examine the design of Namibia's programme-budgeting system, with particular attention to:

- intended outcomes and outputs to be achieved or delivered;
- the lexicon of terminology used;
- the definition and architecture of the programme structure and how it relates to other performance management systems, including national development plans, sectoral strategies and OMA management systems;
- the structure and purpose of the different budget documents;
- budgeting for programmes, including how the costs of administrative support functions and enabling functions are reflected;
- performance monitoring and assessment on a programme basis;
- programme evaluation and spending reviews, and how the results thereof influence budget allocations; and
- the management information systems in place to support OMAs to manage service delivery on the basis of results (i.e. output quality, efficiency and outcomes).

From the outset of the reform journey in 1996, the intention of the government was to introduce a strong policy-based results orientation to the way in which the public service worked. According to the MoF's 'Guide to Medium-Term Plans':

the advantages of programme budgeting include producing a transparent budget, focusing attention on community goals, needs, and capabilities, achieving maximum use of the citizens' taxes, serving wider community interest, encouraging a more co-ordinated and efficient government administration, maintaining a sound and stable financial program. (MoF 2012)

Ultimately, these intentions have been pursued through a variety of means, including planning, budgeting and public service management reforms. As mentioned above, early impetus for reform came from the OPM with its mandate to oversee and improve the functioning of the public service. In 1999, at the direction of the Cabinet, the OPM, NPC and MoF started to work together actively on the development of the PEMP, which was eventually added to the programme-based MTPs when these were incorporated in the MTEF budget document in 2004/05. It is, however, important to note that while PEMP performance information, and Ministerial Targets, are included in the MTPs, this information is presented not per programme but rather at a headline level for the OMA as a whole; consequently, administrative and performance information is not tied to programme budgets.

3.1 Terminology, concepts and budget documentation

Other countries' experiences indicate that it is extremely useful to develop consensus around concepts and terminology. Programme budgeting often introduces a phalanx of terms and concepts that may be unfamiliar to managers in OMAs, as well as to accountants and economists. In addition, these terms may have different meanings for different people and in different contexts. Frequently, there is even a lack of consensus about the distinction between a budget programme and a service-delivery programme.

As shown in Table 1, certain concepts and terms are defined in the MoF's 'Guide to Medium-Term Plans'. However, in most cases, the definitions lack the necessary specificity and, therefore, may be open to varying interpretations. The lack of a standard glossary of performance concepts and terminology used for distinct yet interlinked processes, including national development planning, budgeting and strategic planning, presents a significant challenge to the coherence of Namibia's programme-budgeting system. This issue has been recognised and a project has been proposed to develop and publish a programme-budgeting manual with support from the IMF's Technical Assistance Centre for Southern Africa.

Table 1: Definition of concepts

Concept	Definition
Programme budgeting	The budgeting system that, unlike conventional budgeting, describes and gives the detailed costs of every activity or programme that is to be carried out in a budget.
Objectives (in MTPs)	These should be the same as those used in strategic plans. Such objectives are focused on outcomes and, as such, are timeless. They are normally not under the direct control of the ministry, but do reflect what government interventions seek to influence in terms of the desired direction of socio-economic development in the country. Objectives do not change with successive NDPs or as policies and programmes change.
Ministerial targets	These should be limited to around five or six for ministries with diverse responsibilities, and fewer for smaller ministries. Larger numbers of ministerial targets tend to dilute focus. They should, wherever possible, focus on the key impacts or outcomes that the government is seeking to achieve in that sector. Targets should not be set for inputs (such as money or staff) or for activities.
Programme	Ministries should be aware that a programme is a coherent grouping of activities designed to fulfil common objectives.
Activities	Programme description should provide the reader with a clear view of the activities that are to be undertaken in order to achieve the objectives. There can be no definitive statement of how ministries should describe their activities. However, they are usually best defined in terms of a small group of coherent outputs within the programme.
PEMP framework	The PEMP sets out in tabular form the performance measures that have been agreed with each OMA.
PEMP objectives	Performance measures are grouped according objectives. Ministerial activities (often indicated by words such as assist, promote and enable) should not be substituted for outcomes-based objectives, since any attempt then to assess performance would be solely self-referential (in other words, programmes would be evaluated by whether they proceeded as intended rather than by whether beneficial change was experienced by citizens).
PEMP tasking and accountability data	These are measures that might be useful in setting targets for some part of the organisation or its SOEs. Useful sources may include NDP3, Strategic Plan and certain of the efficiency and effectiveness measures in the PEMP. The measures underpinning ministerial targets should be shown in bold.
PEMP efficiency and effectiveness data	These are a more selective set of measures of service, as seen from the point of view of the consumer or other stakeholder. This is in line with the president's repeated emphasis on improving service delivery. These may include measures such as clearance times, accuracy or unit costs. Where local/regional breakdowns of data are currently supplied, ministries are encouraged to make them available separately, but not to include them in the PEMP.
PEMP administration data	The administration part of the PEMP reflects the fact that there are administrative activities (finance, personnel, etc.) that do not contribute directly to outcomes. We need to bear down on those costs and ensure the continuing efficiency of administrative activity. This section of the PEMP framework should be retained. Where a ministry has had difficulty in measuring administrative efficiency, it may want to consider whether measures being used and reported by other ministries might also be usefully included in its PEMP.
Other PEMP data	Where there are relevant output or outcome (but not input or process) or NDP3/4 targets, the underlying measures/indicators should be included under this category. These measures, together with the measures listed under NDP3/4 targets, should be sufficient to provide the necessary basis for analysis and evaluation of whether the government's socio-economic objectives are actually being met as a result of its programme expenditure.

Source: MoF (2012)

A good example of a manual that could provide some useful insights for Namibia as it embarks on its own similar initiative is Kenya's recently published 'Programme-Based Budgeting Manual' (Republic of Kenya 2011). The manual is intended to serve as a guide for the full implementation of programme budgeting in Kenya, and includes a detailed exploration of issues related to programme budgeting and public financial management in general. Furthermore, the manual aims to assist line-ministry officials and NGO groups to achieve a fuller understanding of public sector budgeting processes in Kenya. The main chapter headings of the manual are shown below to illustrate its breadth of content:

- Modernising the budget;
- Outcomes and outputs;
- Designing programmes;
- Measuring programme performance;
- Monitoring and evaluation;
- Budget calendar;
- MTEF budget preparation;
- Preparing programme estimates;
- Chart of accounts and coding structure; and
- Appropriation, execution and financial reporting.

3.2 Budget preparation processes

3.2.1 National planning

Over the past decade, an increasing number of African countries have produced NDPs, usually under the auspices of an NPC or a Ministry of Planning. Often, this has brought a demand to align budgeting systems, processes and operations with national planning processes and priorities outlined in the national plan. Coherence in this regard may be achieved by ensuring the following:

- Good policy alignment, where appropriate, between the budget programmes of OMAs and the national priorities. In some cases, the budget programmes of OMAs will be contributing to one or more of the national plan objectives. However, it is rare for any one budget programme to provide all of the resources and activities needed to achieve an objective. Further contributions are likely to come from the budget programmes of other OMAs, from NGO activities and from the private sector. It is, therefore, incumbent upon OMAs to consider the relevant national priorities and specific objectives stated in the national plan when designing or adjusting their budget programmes.
- The reporting and monitoring, using both financial and performance information, of the implementation and performance of specific development programmes and projects. The government accounting and budgeting systems are likely to contribute some financial and performance information to this reporting, but an effective management information system requires a separate monitoring and assessment process (drawing from existing databases) to be established, co-ordinated and maintained by the co-ordinating ministry.
- Reallocation criteria be developed and utilised in the budget formulation (and evaluation) process to ensure that higher status is accorded to programmes and projects that contribute significantly to the achievement of national priorities. This will assist decision-makers in making difficult choices about the reallocation and reprioritisation of resources and will be a defence against the tendency to simply increase aggregate spending, risking the maintenance of fiscal balance (Webber n.d.).

In 2012, the Namibian NPC launched the 4th National Development Plan (NDP4). All OMAs are expected to align their plans to the objectives specified in NDP4, as they have for previous NDPs. In addition, during the budget formulation stage of the budget preparation process, OMAs are requested to present their expenditure proposals for scrutiny by the MoF as well as NPC officials. This process is followed by joint budget hearings that are conducted between OMAs, the NPC and the MoF to exchange views on performance, expenditure proposals and available resources, as informed by the macroeconomic framework and fiscal policy framework. Similar consultation takes place at ministerial level. The outcomes of the budget hearings and recommended ceilings are then presented to the Cabinet for consideration. After Cabinet approval, ceilings are communicated to OMAs to finalise their MTPs, where again explanatory detail is provided to show alignment between the budgets and priorities identified in NDP4.

3.2.2 Strategic planning

Strategic planning provides a useful starting point for developing budget programmes, including administrative and results information, since it is the foundation on which budgets are formulated. A strategic plan should set out the inputs and activities (i.e. administrative information) as well as the outputs and outcomes (i.e. results) and related budget programmes and sub-programmes.

Generally, there are different schools of thought regarding the institutional home for the custodianship of strategic planning oversight in government. It could reside with any of a number of ministries including finance, planning, public service and prime minister/president. Whoever holds the competency, it is important that the guidelines provided to line ministries strike a balance between developmental objectives and fiscal imperatives. Strategic plans must be aspirational and progressive but, at the same time, cannot be totally disconnected from the budget. Usually, this implies that short-term objectives must be achievable and affordable, while medium- to long-term objectives may be more ambitious.

Another issue where there are divergent views is the nature of the guidance/instructions given to line ministries in order to regulate strategic planning. One view is that a centre-of-government ministry should provide detailed strategic planning instructions to ensure that all line ministries conform. The benefit of this approach is that it should ensure consistency in planning across government; the disadvantage is that it might result in a non-thinking culture of compliance, as planning is 'templatised', accompanied by loss of the strategic underpinning of these plans. Another view is that clear guidelines regarding the development, publication and general content of strategic plans should be produced without specifying the actual format and allowing reasonable flexibility for the line ministries to determine the nature of their plans. The advantage here is that ministries should feel greater ownership of the plans and that customised approaches are adopted to planning on a sector-by-sector basis; the weakness is that there may be unevenness across government in the quality of strategic plans.

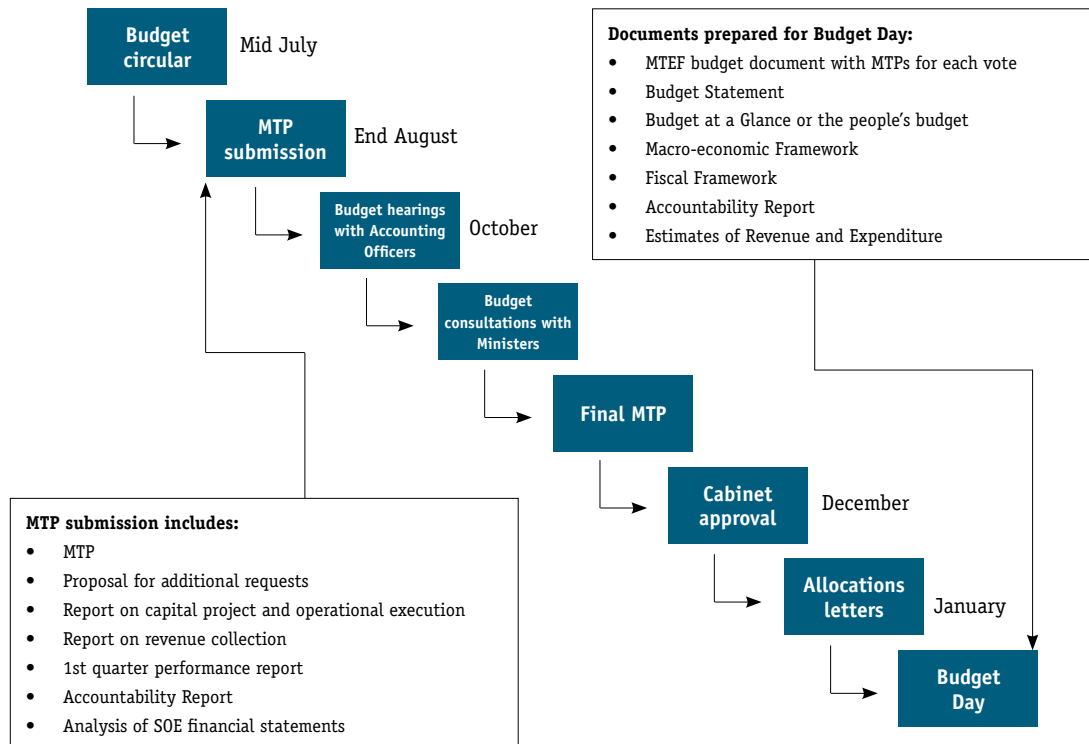
Whichever approach is taken, it is important that the programme-budget structure is explicitly incorporated into the strategic planning framework of government. This will ensure that the strategic planning and budgeting processes are better aligned and plans are easily costed, and is also critical for ensuring that planning and budgeting concepts are integrated and aligned. It is not uncommon in some countries to find the same performance concepts (e.g. objectives) being used in different ways in strategic plans and budgets, which often creates confusion among line ministries and can result in plans and budgets that are disconnected.

In Namibia, the framework for strategic planning is the responsibility of the OPM, and until recently there was little formal engagement with the MoF to ensure proper alignment between strategic plans and budgets. As a result, budget programmes are not typically considered in OMA strategic plans, which are used primarily for operational and personnel performance-management purposes. This represents a missed opportunity to increase coherence between plans and budgets.

3.2.3 Budget hearings

The NDP and, to a lesser degree, OMA strategic plans feature in the annual budgeting process, although separate processes exist for developing and monitoring these plans. Figure 2 sketches the main steps in the budget process, starting with the circular in July and ending on Budget Day.

Figure 2: Budget calendar



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 allocations, reallocations, rescheduling and prioritisation among programmes and sub-programmes, so that the budget is aligned with government policies, priorities and objectives. Discussions should focus on the specific policies, including major outputs and processes and related outcomes to be achieved with the allocated resources, and should include detailed, rigorous scrutiny of the analytical basis for the allocations, as well as option analyses for service delivery. To add value to the budget hearing, budget analysts should interrogate baseline expenditure and results in order to check that allocations are efficient and well-utilised, to assess whether there are inconsistencies in the level and mix of inputs, and to ensure that the OMA is effective in the way it delivers services by assessing outcomes. 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 models, and the associated multi-year implications (Webber n.d.).

In Namibia, the MoF emphasises performance information particularly strongly during its budget hearings. The hearings are held during September and October each year to ensure that at least half a day is set aside for each OMA to present its proposals and for performance to be highlighted. The hearings are held jointly with the MoF and NPC (in 2012, the OPM was also invited to participate). Figure 3 provides an overview of a typical budget hearing agenda and clearly demonstrates the emphasis on performance that is brought to bear at this important juncture in the budget process.

Figure 3: Typical budget hearing agenda

Joint Budget Hearings for 2012/13 to 2015/16
1. Welcome and opening remarks
2. Accountability Reports 2011/12
a. Expenditure and Revenue Outturn for Operational and Development
b. Performance against targets and under each programme
c. SOEs and funds
Discussions
3. Midyear Budget Execution Reports for first and second quarter 2012/13
a. Expenditure and Revenue Outturn for Operational and Development
b. Performance under each programme
Achievements
Challenges
Discussions
4. Medium Term Plans 2012/13–2014/15
a. Ministerial targets
b. Programmes: In table format with the following contents, operational and development activities with total cost for the MTEF under each programme including the adjustment on budget ceilings. Any request for additional funds should be motivated separately
c. SOEs and funds
SOE performance agreement with the line minister and the performance outlook of the SOE in question
Discussions

3.2.4 Budget documentation

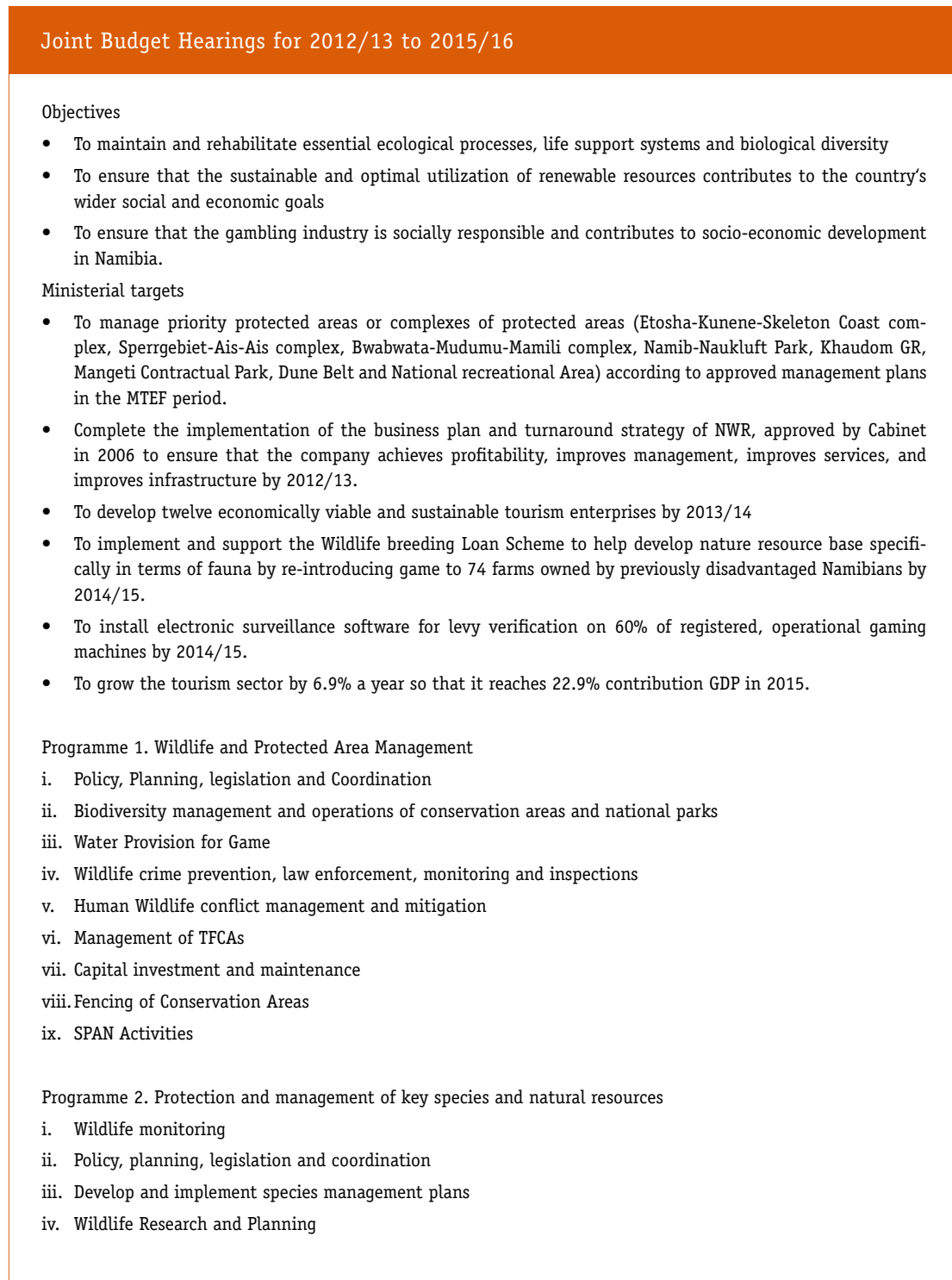
Budget Day in Namibia normally falls in early March and represents the culmination of months of arduous budget analysis, negotiation and documentation. Namibia tables an extraordinarily extensive set of budget documents. On Budget Day, the MoF prepares no less than seven different budget documents comprising hundreds of pages of information, including:

- MTEF, consisting of MTPs for each of the 31 votes;
- Budget Statement (i.e. the speech that the Minister of Finance will give in Parliament);
- Budget at a Glance (i.e. the ‘people’s budget’);
- Macroeconomic Framework;
- Fiscal Framework;
- Accountability Report, providing a review of performance in terms of ministerial targets, objectives and programmes; and
- Estimates of Revenue and Expenditure (not tabled in Parliament until a later date).

Figure 4 provides a representative example of a typical OMA budget structure, including objectives, ministerial targets, programmes and activities (i.e. sub-programmes) that are contained in MTPs in the MTEF budget document. Different methods are adopted in different countries to present performance and programme information. Namibia has adopted largely descriptive methods of

identifying 'objectives', while 'ministerial targets' are generally specific and measurable. There is significant variation in terms of the nature, size and scope of programmes. Generally, programmes should be designed to reflect outcomes, and sub-programmes to show related outputs, typically resulting in fewer, more meaningful programmes. For mono-outcome OMAs such as policy or regulatory functions, programmes may be best designed around major outputs, with sub-programmes speaking to major processes/activities.

Figure 4: Example of budget structure – Ministry of Environment and Tourism



- v. Trade, Permit Control, Cites and participation in other international conventions
 - vi. Game capture and translocations (Translocation of Animals to Cuba)
 - vii. Reintroduction of Game to Communal Conservancies
 - viii. Wildlife Auction and Wildlife Loan Breeding Stock Scheme
 - ix. Management of Concessionaires
3. Community-based natural resource management, Gambling and Tourism Development
- i. Support for CBNRM and direct assistance to conservancies
 - ii. Management of neighbours and resident relations
 - iii. Policy Planning and Legislation
 - iv. Membership of International tourism organizations
 - v. Gaming and Gambling
 - vi. Contribution to NTB
 - vii. Contribution to NWR
 - viii. Community Based Tourism Lodge development
 - ix. Tourism awareness
 - x. Development of tourism facilities for NWR
 - xi. Tourism research and statistics
 - xii. Strengthen national, regional and international tourism relations
4. Regulation of environmental protection and sustainable resource Management
- i. Policy, planning and legislation
 - ii. Environmental assessments and pollution control
 - iii. Support for EIF
 - iv. Coastal Management
 - v. Environmental education and information management
 - vi. Implementaion of international conventions
 - vii. Economic review and research
 - viii. Namibia Coast Conservation and Management Project(NACOMA)
5. Infrastructure Development and Maintenance
- i. Planning, Evaluation and Coordination
 - ii. Maintenance
 - iii. Knowledge Management & Information Communication
 - iv. Upgrade of sewerage and water supply systems
 - v. Construction of Regional Office & staff houses
 - vi. Upgrading of Tourists roads
 - vii. Construction & Upgrade of New Head Quarter
6. Administration, Coordination and Investment
- i. Executive Management
 - ii. Finance and Auxiliary Services
 - iii. HR Management and organizational development

The Estimates of Revenue and Expenditure is the legacy budget document that was complemented by the MTEF in 2004/05. In addition to detailed estimates of revenue, it translates expenditure plans, as set out in the MTEF, into detailed expenditure estimates per administrative unit (i.e. main division) and grouped line items. Although not tabled in Parliament as the official budget document, the Estimates still represents the legal basis for appropriations control within the accounting system of record. It is still the basis for the virement of funds and for the Auditor-General's audit.

3.2.5 Budgeting and accounting on a programme basis

As with most processes related to implementing programme-budgeting reforms, different approaches can be adopted. The case of costing programmes for the purpose of credible budgeting formulation and execution is no different. Some countries avoid the need for proper costing of programmes by mechanically aligning their programme structure with the existing basis of appropriation, usually organisational structure. While this presents the promise of a simple solution to the common challenge of cost accounting on a new basis, it may actually undermine the principles underpinning programme budgeting, including the planning and reporting of spending on a policy basis. On the other hand, some countries insist on developing detailed cost accounting on a programme basis, requiring the application of complex cost-allocation methodologies. However, these are usually no more reliable or reflective of the true costs, due to the administrative complexity involved in slicing and dividing shared/common costs.

Mauritius, which was the subject of a CABRI JCCS in 2010, has adopted a pragmatic middle-ground approach that is not excessively complex yet achieves a close approximation of true programme costs. According to their 'Programme-based Budget 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 Ministry of Finance. The 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 to be costed;
- identifying and assigning the direct costs incurred in undertaking the sub-programme activities;
- identifying the indirect costs of sub-programmes and assigning them to 'Programme 1 – Policy and Management'; and
- adding sub-programme costs for each programme, to achieve the full programme cost.

Where a unit within a ministry serves 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.

In Namibia, the 'new approach to programme budgeting' announced in the 2012 Budget Circular provides guidance to OMAs in terms of costing their programmes. However, the approach has both strengths and challenges. The decision to establish a common Policy Supervision and Co-ordination Support Services programme for each vote, to pool all administrative support services and related costs, is in line with good practice in other countries. On the other hand, the guidance to OMAs that they link their programmes to administrative units, and the restriction on apportioning the costs of administrative units that provide enabling functions, is problematic. One challenge of this approach is that it forces OMAs to construct special programmes for enabling functions and may result in a large number of programmes that deviate from the design principle of policy outcomes. This, in turn, could result in grossly underestimating the true costs of policy implementation. These challenges have been recognised within the Namibian public finance

community, in particular by the two largest ministries, namely Health and Education, which have been provided informal waivers by the MoF to pursue output-based costing approaches for costing their outcomes-focused programmes. This recent flexibility of the MoF in accepting differentiated costing methodologies for different types of services and delivery modes is very positive for the development and advancement of programme budgeting in Namibia.

3.3 Budget execution processes

The State Finance Act of 1991 is the law that governs public finance management in Namibia. Interestingly, the law does not specify time frames for the tabling and approval of the Appropriation Bill. However, while the budget is debated in Parliament, ministries are allowed to spend from their proposed budget an amount equal to 33% of the previous appropriation through a continuation authorisation. This authorisation is to ensure that ongoing government programmes are not interrupted. However, some impacts are unavoidable in this practice. For example, large once-off transfer payments that could be executed in bulk at the beginning of the fiscal year cannot be executed as planned. In addition, new programmes and projects, including capital projects, are sometimes delayed at the start of the fiscal year due to uncertainty over parliamentary approval. Most countries specify strict time frames for the tabling and legislative approval of appropriations to avoid uncertainty in the unimpeded flow of funding to government programmes. In addition, Namibia's Parliament has not established a budget committee to provide for dedicated oversight of budgeting processes and to monitor budget execution. Namibia may consider addressing the timing of the appropriation and approval thereof when it considers amendments to the State Finance Act.

Once the budget becomes an Act, the full appropriated amounts become available to the OMAs for spending. Government spending is also subjected to the public procurement process as outlined in the Tender Board Act of 1996. The execution of the budget is monitored and evaluated through different systems and processes, including the Integrated Financial Management System (IFMS) and internal and external auditing. This results in the publication of Auditor-General Reports, Accountability Reports and public hearings of the Public Accounts Committee.

3.3.1 Financial management information systems

While the basic design of the programme-budgeting reform in Namibia has been relatively orthodox and generally in line with good practice, there was recognition in 2009 that the reform had not been taken far enough to enable the management of expenditures on a programme basis (IMF 2011). One of the key areas concerned the ability to provide full financial accounting and reporting of budget expenditures on a programme basis. Although budget programmes and activities had been formulated and presented to Parliament for all OMAs, as contained in the MTEF budget document over several years, the traditional administrative and input-based budget structure has remained the legal basis for expenditure control. While a short transition period (of one to three years) operating parallel systems of budgeting is often a prudent step, it is inefficient for it to continue indefinitely.

A pilot project – Managing the Budget on a Programme Basis (MBPB) – was initiated in 2009, with the support of the IMF, as the first major step towards addressing the accounting and financial reporting challenge. The aim of the project was to enable the government to report expenditures according to budget programmes and activities (i.e. sub-programmes) within the accounting system. This would make it possible to measure expenditure outturns against the budget programmes as described in the MTEF. It could also reveal more accurate cost estimates of delivering outputs and achieving policy outcomes for the purpose of informing discussions on efficiency and effectiveness so that reallocation of budget funding might be more rational.

Implementation of this reform is partly a technical matter but also requires change-management strategies to be carefully considered, since it alters the way spending is accounted for within OMAs. Due to the complexity of the reform, IMF technical assistance was requested to support the change.

In 2009, four OMAs were selected for a pilot project to test the readiness of OMAs to adopt the reform. The pilot OMAs included the MoF, NPC, Office of the Auditor-General and Ministry of Environment and Tourism. It was agreed initially that these OMAs would commence accounting on the new basis from the beginning of the 2010/11 financial year. An important implication of the decision to approach this task on a pilot basis (rather than a full roll-out to all OMAs) was that these four agencies, plus all the other OMAs, should be able to continue to account for expenditures on the traditional basis. It was agreed, therefore, that the new approach would operate in parallel with the traditional accounting and reporting system, and that the new approach would not have any legal basis in terms of imposing financial controls or end-of-year formal budget reporting to Parliament.

Unfortunately, progress with implementing the pilot project was slow and the results of the project remain unclear in terms of testing the capacity of OMAs to account on the basis of programmes. Notwithstanding these challenges, the necessary technical system changes have been fully achieved with assistance from the contractor responsible for IFMS maintenance support. While not fully used, a new chart of accounts was activated in the IFMS in April 2012, as shown in Table 2.

Currently (FY2012/13), only certain OMAs, including the MoF and Ministry of Education, are using the new programme-budgeting function in the updated chart of accounts. As a result, most OMAs have to maintain a parallel, manual system to monitor and report spending in terms of programmes and activities in order to develop the annual Accountability Reports.

Table 2 Chart of accounts modifications

Chart of accounts pre-April 2012			New chart of accounts		
Segment	No of Char.	Example	Segment	No of Char.	Example
Indicator	2	01	Indicator	2	01
Vote/Main division	4	0904	Vote	4	0904
Subdivision	3	001	Main division	2	01
Item	4	0101	Programme – Sub – Programme – Activity	6	06
Project/Programme	6	000000	Subdivision	3	001
Cost centre	6	000000	Item	4	0101
ID code	4	0904	Project (NPC)	6	NPC-Code
Report entity	2	00	Cost centre	6	Oshakati
			Report entity	2	00
Ex. 01.0904.001.0101.000000.000000.0904.00			Ex. 01.09.04.010012.01.0001.000000.0shakati.00		

3.4 Performance monitoring, reporting and evaluation

The monitoring of administrative trends (i.e. inputs and activities) and the evaluation of results (i.e. outputs and outcomes) support assessments of progress in terms of policy aims identified in the strategic plans of ministries, and should inform future planning and policy formulation. Reports should provide information on actual expenditure of programmes against budgets, as well as actual delivery of outputs and achievement of outcomes, and should be benchmarked in terms of standards or projected performance.

In Namibia, an extensive system exists for collecting and reporting line-ministry performance information, which includes:

- The five-year NDP drawn up by the NPC, which is aimed at achieving the government's 'Vision 2030' of Namibia becoming a prosperous, industrialised country by 2030. The fourth and most recent plan (NDP4) was published in June 2012.

- The MTP sets hundreds of strategic objectives and targets and more than 2 000 performance indicators. The MoF is responsible for the PEMP framework, and reporting against PEMP targets and indicators was integrated, until recently, into the MTPs that make up the MTEF document. The practice of publishing the PEMP with the MTPs was abandoned in the 2012/13 MTEF budget document due to increasing uncertainty regarding the quality and relevance of the information. However, while PEMP data are no longer being published, the process of collecting data and reporting by OMAs to the MoF is ongoing. Clearly, Namibia is at a critical juncture regarding the PEMP, and lessons learned about centrally determined performance systems should be considered carefully and applied in future reforms of this nature.
- Five-year Strategic Plans for all 31 OMAs and 13 regional councils, which are an initiative of the OPM.

The compliance and reporting burdens that the three frameworks impose on the small number of planning and financial staff in each OMA is potentially high, and it appears that only a small portion of the information reported to the centre is actually used. Of the three performance-management frameworks, the MTP is the most enduring. Line ministries have to set objectives and ministerial targets (about four or five per vote). Each target set is supposed to be output- or outcome-oriented and should remain reasonably stable over time. Ministerial targets should have a medium-term horizon (four to five years), with a clear annual trajectory from the baseline value to the target level. Alongside the MTPs, OMAs are required to produce the Accountability Report reflecting reported performance against each of the objectives and ministerial targets from the previous year, including explanations for any deviations. However, the validity of the information reported in these Accountability Reports is questionable due to the lack of internal controls of the performance data.

That said, there are signs that performance data are beginning to inform budgeting decisions. In their annual budget submissions, line ministries are required to justify requests for additional resources above their vote ceiling in terms of their impact on their ministerial targets and contribution to their objectives. Budget hearings and parliamentary debates increasingly focus on issues of performance and value for money. While the Auditor-General's Department still focuses the bulk of its resources on traditional financial audits of ministerial accounts, about 15% of its time now goes to performance audits of areas such as health, education and housing (IMF 2011). While data quality and analytical capacity need to be improved, these practices at least contribute to building a culture where results matter.

Significant progress has also been made in terms of targeted programme reviews (i.e. evaluations). The government, with the support of a delegation of the European Union, completed a public expenditure review (PER) of the education sector in 2011, identifying significant opportunities for improved financial and performance management. In most instances, high-level performance data will provide, at best, an indication that a programme is off track; however, this will seldom be sufficient for the government to determine whether the solution is to spend more or less on the programme. PERs, therefore, represent an important step in continuing the development of programme budgeting.

3.5 Programme design for managerial responsibility and accountability

Managerial responsibility and accountability are central to programme budgeting. While it is generally undesirable to formulate programme budgets to conform to organisational structures and vice versa, it is critical that there is a clear relationship (i.e. mapping) between the two constructs. This ensures that programme implementation and service delivery can be monitored and the appropriate administrative unit within an organisation can be assigned unambiguous responsibility and accountability for results.

There are two approaches that can be taken to address the common conflicts between organisational and programme structures. The first is to define programmes around organisational structures,

even when this involves significant departures from the principle of results-based programmes. The second is to maintain the principle of results-based programmes and to accept that there will, therefore, be differences between the organisational structure and programme structure – some of which may be temporary, but some of which will be permanent. Management strategies need to be put into place to address the divergence, for example by assigning clear responsibility at a sub-programme level. In practice, some mix of these two approaches is not only usual but, to some degree, inevitable (Robinson 2011).

In Namibia, no guidance is provided to OMAs in terms of programme design. In some cases, programmes mirror the organisational structures, while in other cases, the programmes replicate the main functions or product lines of OMAs. In yet other instances, such as Education, the programmes revolve around key outcomes. Going forward, it will be more important that clear guidance is provided to OMAs on the design of their programmes, considering the declared intention to account, report and manage on a programme basis. It would be appropriate to include such guidance in the proposed programme-budgeting manual.

The key criterion for the design of programmes should be that they represent outcomes that an OMA is responsible for achieving. In the case of OMAs that might have a narrow focus in terms of outcomes (such as a policy ministry), budget programmes could be designed to reflect major outputs. This means that OMAs with several sectoral policy responsibilities (such as the Ministry of Agriculture, Water and Forestry, the Ministry of Health and Social Services and the Ministry of Environment and Tourism) would require a programme structure that enables expenditures to be accurately presented and contained within their overall Vote, according to these separate policy responsibilities. Any movement of funds within the OMA's budget, therefore, should be fully transparent with regard to its impacts on these sectors and, thus, with regard to its outputs and outcomes (i.e. results) in each sector. This could be reflected at either the programme or the sub-programme level of the structure.

The JCCS was informed that the Ministries of Education and Health have recently taken the initiative in redesigning several of their programmes to align with outcomes. This type of programme design review process could be undertaken for other ministries through a series of discussions involving staff in the MoF, OPM and NPC and each OMA during preparation of the next budget. Appendix A includes a detailed breakdown of the new programme budget of the Ministry of Education, which incorporates activities, sub-activities (for internal use only), key cost drivers and mapping to administrative unit for clarity in terms of managerial responsibility and accountability. This approach will be utilised for the first time in 2013/14, and could provide an encouraging example of what is possible in government in Namibia, and which the MoF and other OMAs might adapt and replicate for their own purposes.

4. Implementation strategy

Introducing programme-budgeting reforms 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:

- perform a detailed diagnostic analysis of the existing budgeting system, especially the legal framework;
- conduct a thorough diagnostic analysis of how the functions, roles and responsibilities of different actors in the government and Parliament will be affected;
- develop a thorough understanding of the complementary reforms that are needed to support programme budgeting;
- have a strong strategy for sustained consultation with role-players and stakeholders, especially OMAs and civil society;
- have a comprehensive multi-year sustained capacity-building strategy for the MoF, line ministry, Cabinet and parliamentary officials, as well as political leadership, to ensure that a high level of programme-budgeting understanding is developed and maintained over time;
- have a clear understanding of the concepts, processes and systems needed for programme budgeting and to develop simple explanations that can be communicated through a programme-budgeting manual; and
- have a clear roadmap that:
 - defines the needed changes;
 - prioritises and sequences reforms; and
 - covers the various issues to be considered when managing complex projects in government, such as the identification of and roles to be played by both political champions and technical champions in order to ensure sustained stewardship, especially at the MoF.

Programme-budgeting reforms can be implemented: (i) by using a ‘big-bang’ approach, whereby a whole package of related reforms is introduced to all ministries simultaneously; (ii) via a gradual approach in which bite-sized reforms are introduced across the whole of the government in an deliberate and intentional sequence; or (iii) through a piloting 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 different strategies may be appropriate, depending on the size and structure of government, the complexity of the reform, and the capacity of the MoF and line ministries to absorb and adapt to the change (CABRI 2010).

4.1 The roadmap

There is a common misconception that programme budgeting is just a technical budget formulation and presentational reform that can be managed exclusively by the MoF and which can be implemented in one or two budget cycles. Instead, programme budgeting must be viewed as a whole-of-government reform, due to its potential impact on policy-making, financing and allocation recommendations, and national and department strategy and delivery, including monitoring, reporting and evaluation. For this reason, it is vital that the reform is conceptualised and managed as a complex project requiring the application of sound project-management principles.

This does not appear to have always been the case in the Namibian experience. While a three-year vision for the reform may have existed when it was initiated, the reform has evolved over at least an eight-year period in a sometimes undirected manner, with changes taking longer than expected or necessary to be implemented, risking reform fatigue. An example of this can be seen in the way changes in the chart of accounts were managed. As mentioned above, this reform envisaged piloting in four OMAs, starting in April 2010. While assistance was provided by the IMF, and technical changes were affected by the IFMS maintenance contractor, the piloting project was not rolled out as planned. Therefore, the opportunity for learning from the process was missed. All OMAs were expected to start using the programme functionality in the IFMS from mid-2013; however, due to lack of testing, there is a risk that this may need to be rolled back or paused because of poor implementation.

Proper planning and project management is critical to the success of any complex reform. As Namibia consolidates this reform, it will be useful to ensure that it is guided by a robust reform plan. In addition, Namibia should strongly consider establishing an effective project-management governance structure comprised of key stakeholders and role-players to guide the reform consolidation phase. Similar committee structures were established and found to be beneficial in shepherding the reforms in both Kenya and Sierra Leone.

4.2 Complementary reforms

Due to the scope of this reform, it is vital that other reforms that should be implemented to support effective programme budgeting are carefully considered. These include:

- necessary changes, if any, in the public finance legal framework;
- necessary conforming changes in national planning and departmental planning frameworks or methodologies;
- changes to the budget preparation and formulation processes, including job functions of budget analysis and budget documentation;
- reskilling of personnel in finance and planning functions in both the MoF and line ministries;
- changes needed in the financial accounting and reporting frameworks and systems, such as the chart of accounts and annual financial and non-financial performance statements;
- reorientation of senior managers and political leadership in line ministries on the use of programme-budgeting methodologies to reinforce a managing-for-results mentality in the public service, including linkages to individual performance-management systems;
- changes to programme- and project-management systems and methodologies in use in government;
- changes to departmental or sectoral performance monitoring and reporting systems, processes and procedures;
- changes to programme-evaluation systems, processes and procedures; and
- changes to auditing systems, processes and procedures.

In Namibia, successes and challenges have been experienced in terms of the implementation of changes necessary to support effective programme budgeting. While the legal framework has not yet been adjusted, the Minister of Finance has used her powers to determine the form of the budget tabled in Parliament, which since 2004/05 has been according to MTPs that use programmes as the basis for presenting budgets.

However, Namibia has not effected any conforming changes to national or departmental planning frameworks. These frameworks are the responsibility of the NPC and the OPM respectively. While some tension may have existed in the past that limited co-operation between the three main role-players at the centre of government, these institutions and the MoF recently started engagements to consider supportive changes to bolster the relevance and impact of programme-budgeting reforms. This is an important process that could yield positive outcomes for the Namibian system of planning and budgeting in the future.

Significant changes have been effected in the budget preparation and formulation processes in Namibia due to programme budgeting. Much more performance information is now demanded and supplied during the budget process; however, questions regarding quality versus quantity are being asked. Also capacity-building of key resources, such as the budget analysts (i.e. accountants and economists in the MoF) who are expected to scrutinise and validate the reliability of performance information, has not kept up with increased volumes and new expectations. There are also questions about whether the increased workload for budget analysts should be considered, and additional resources employed, in the budget analysis section. If these questions are not addressed, there is a risk that information overload can set in, resulting in reduced levels of understanding and analysis in terms of inputs, activities, outputs and outcomes and, therefore, efficiency and effectiveness in service delivery.

Namibia has also incorporated very important changes in the financial accounting and reporting systems (including those for reporting performance). The chart of accounts has been updated with the necessary functionality, although progress in roll-out and wider acceptance has been a significant challenge, due primarily to a lack of technical stewardship by the MoF. The MoF rolled out the Accountability Report in 2008 to ensure that OMAs reported performance in terms of the objectives, ministerial targets and programmes included in their MTPs. While this is to be applauded, there are several weaknesses that could be addressed to strengthen the relevance and benefits of this reporting process. For example, the MoF could consider merging this report with the annual financial statements, which could result in a number of key benefits, including auditing of the performance information; the timing of the report would also be brought forward by approximately six months and would coincide with the tabling of the annual financial statements at the Public Accounts Committee. Therefore, it could greatly enhance legislative oversight.

4.3 Capacity-building and consultation

Systematic, sustained capacity-building and consultation among role-players and stakeholders on programme budgeting issues has been inadequate in Namibia. While the concept is well known amongst finance staff and, to a limited extent, amongst planners and other managers in OMAs, understanding of basic issues such as cost accounting or assigning managerial responsibility or the linkages to departmental planning is extremely limited. Capacity-building must include strategies and efforts that are more substantive than standardised presentations and references in budget circular documentation.

5. Impact of programme-budgeting

Namibia has achieved significant progress and has done many of the right things in conceptualising, implementing and using programme budgeting. However, the record in terms of real and tangible benefits of programme budgeting in Namibia is mixed. This is due primarily to the partial yet resilient system of programme budgeting in operation. Programme budgeting can be reviewed against the background of various perspectives, including management, allocations, reporting and empowerment as the key dimensions of government programmes on which programme budgeting aims to have an impact.

5.1 Managerial autonomy, empowerment and accountability – trust but verify

The promise of programme budgeting from a managerial perspective is for less micro-management in return for commitments in terms of results. This basic principle, while simple and elegant, is extremely difficult to achieve in practice, especially during the transition from more rigid top-down management approaches to one that puts the onus on managers to manage. Results-based programmes are supposed to provide a useful construct for linking together logic models and allocations, thereby empowering managers with increased flexibility to decide on the mix of resources, inputs, activities and processes to harness in order to deliver promised results in terms of outputs and outcomes. However, for this aspirational approach to take hold in government requires several interrelated reforms to come to fruition to ensure that, as controls are lifted, incentives are put in place to influence behaviour.

Ultimately, it is not good enough to simply put the budget on a results-based footing if other systems do not also conform to this new philosophy. For example, changes are needed in accounting rules, such as how virements are requested, reviewed and approved. Procurement rules need to change to allow managers more flexibility, while, at the same time, ensuring that principles of openness and fairness in procurement are strengthened. This often requires the deployment and utilisation of modern information systems. Public service rules also need to change, giving managers much greater leeway in organising their human resources and developing customised systems of incentives and accountability.

It is clear that even in the most advanced bureaucracies achieving the full potential for increased autonomy, empowerment and accountability is a huge challenge, as it ultimately requires an organisational culture change. In Namibia, few of these conditions exist. Although a state-of-the-art IFMS is used, and programme functionality has been added this year, the accounting rules for virements (i.e. the legal basis of appropriation control) have not changed. Therefore, managers must still manage their funding on the basis of administrative units, and programme budgeting continues to exist outside the accounting system in the manual parallel systems of each OMA, maintained to support the production of the Accountability Report.

There is a perception that this would require amendments to the State Finance Act. This should be verified, because while it is true that the Act defines the basis of appropriation control in terms of main divisions, it does not define what is meant by a main division, except to state in Section 1 that it 'means a main division shown in an estimate of expenditure'. In other words, the Minister of Finance could possibly attach any meaning to it including that of 'programme'. Procurement rules have not changed for the same reasons.

A significant issue in Namibia is the public service rules, which require that the Public Service Commission approves even minor changes in OMA organisational systems. This limits managerial

autonomy significantly. For example, in the Ministry of Education most senior manager posts require at least 8 to 10 years' experience as a teacher to qualify, and this requirement acts as an obstacle to recruiting and retaining the right skills in the ministry.

5.2 Improved quality of allocative recommendations – better resource decisions

There is a perception that the nature of budget discussions has changed since the implementation of programme budgeting. Prior to the implementation of programme budgeting, the focus was primarily on inputs and activities, 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 outputs and the outcomes, although costing of the inputs and outputs required to achieve outcomes is a challenge. There is also a requirement in the budget process to justify budget requests in terms of relevance against key NDP priorities.

While changing the focus of budget hearings is viewed as an ongoing process, particularly in the areas of policy analysis and the use of performance information, OMAs and the MoF report that the discourse is much more performance and results oriented than it was just a few years ago. In addition, the approach of using 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.

Also, there is inadequate capacity within OMAs and the MoF to use performance information, including in the MTEF, to analyse policy implementation and to relate this to funding allocations. The starting point for linking financial and non-financial information for budgetary purposes is for budget analysts to ask the right questions of line ministries in order to use the available information more purposefully.

Building the analytical capacity necessary to assess proposals for their likely impacts and cost effectiveness has proved a lengthy and demanding task. Even where capacity has been built in the MoF, the hierarchical nature of management, together with a reluctance to criticise proposals that may have emanated from the top echelons of other OMAs, has meant it is not always evident that analysis had been applied effectively (Randal n.d.).

5.3 Performance orientation and responsibility – managing for results

Since the introduction of programme budgeting, the performance orientation of the government has increased significantly. In fact, the volume of performance information in OMAs may now have become onerous to the point that managers spend an excessive amount of time reporting instead of managing. Also, some interviewees raised questions concerning the type of performance information in use, noting that most seemed to target activities and processes and not results important to national or sectoral developmental objectives. Currently, the NPC, OPM and MoF require performance reporting of different types from OMAs. The NPC requires OMAs to produce reports every six months against Annual Sectoral Execution Plans that are required in terms of OMA contributions to NDP4. The OPM requires OMAs to develop departmental strategic plans and detailed operational plans to inform the personnel management processes also defined by the OPM. The MoF requires that MTPs are produced as part of the budget process and Accountability Reports are tabled with the budget, reporting against the previous year's MTP. In addition, OMAs are required to maintain and update PEMP data. In sum, the amount of performance information available in government could be rationalised in favour of less but more meaningful and integrated information.

5.4 Cabinet, Parliament and civil society empowered – transparency and participation

In comparing the currently available information to what was available prior to the implementation of programme budgeting, there is consensus among stakeholders that they are better positioned to scrutinise the performance of the government. Of course, there are opportunities for improvement in the level of detail, format, timeliness and relevance of the information. For example, the

MoF has begun to rationalise the amount of information supplied, with the recent decision to no longer publish the PEMP data in the MTPs. This could signal a move in the right direction of reduced but improved performance and programme information. According to the MoF, the PEMP data framework had come under growing criticism in recent years from OMAs for being too expansive, including too many irrelevant indicators and not being fully owned by the role-players themselves; increasingly, it came to be seen as the MoF's performance management framework instead of that of the OMAs and, thus, had become outdated and administratively burdensome. Going forward, it is vital that the three centre-of-government ministries, namely the MoF, OPM and NPC, work in an increasingly integrated manner to ensure institutional clarity of responsibility for performance data controls and frameworks. It is vital to any complex system established to promote improved monitoring, evaluation and learning that it remains dynamic. This can be achieved only through the existence of a 'thinking centre' that manages, co-ordinates and updates the system on an ongoing basis, while ensuring stability. Parliament must improve its capacity to absorb and interrogate the information being supplied, in order for demands for better, timelier information to be acted upon.

6. Conclusion

The programme-budgeting reform journey in Namibia has not enjoyed a smooth, uninterrupted, linear path. While the basic building blocks are now in place, progress has been characterised by some start-stop and incomplete initiatives, including the status of the PEMP framework and the accounting reform. Nevertheless, several major strides deserve to be celebrated, considering the capacity levels in the MoF and line ministries, especially in the light of the volume of policy and performance information published on an annual basis, which has vastly improved the availability of and access to information on government spending, as well as macro-fiscal planning. It is probably fair to estimate that Namibia is about two-thirds of the way on the journey to reach a point where the full benefits of programme budgeting can be reaped. The time has come to reinvigorate and consolidate the reform.

While several initiatives could be implemented to this end, the single most impactful next step that the MoF could consider is to redouble its efforts to improve communication, clarity of message and consultation among the various stakeholders and role-players, especially the NPC, OPM, Auditor-General, Parliament and, most critically, OMA. The JCCS team found high levels of misunderstanding and lack of clarity on the nature and direction of the reform, within both the MoF and the line ministries.

In addition, action can be taken over the coming two or three years to stabilise the reform and consolidate successes. Such action includes:

- publishing a programme-budgeting manual;
- allowing differentiated methods for cost accounting on a programme basis;
- rolling out the accounting and financial reporting procedural modifications;
- modifying the appropriation control regime to programmes;
- merging the MTEF and Estimates budget documents into a consolidated budget document, so that programmes, activities and input-based line items can be presented together for both operational and development spending;
- merging the accountability and financial reporting systems, so that key administrative data, performance information and financial information can be presented in a consolidated and timely manner;
- incorporating budget programmes fully in planning, monitoring and evaluation processes and frameworks, so that performance information can be presented on a programme basis to ensure better analysis of economy, efficiency and effectiveness; and
- working with the Auditor-General to develop efficient, risk-based auditing procedures to verify and validate the honesty and integrity of the reported performance of OMA.

The challenges faced by the MoF and line ministries in Namibia are common challenges that most countries are confronted with when embarking on the implementation of a reform such as programme budgeting. Any country wishing to implement programme-budgeting reforms should ensure that the basic building blocks of a sound public financial management system are in place. These include credible annual line-item budgeting (allowing for reasonable deviations in the outturn), the ability to cost services, functioning internal and external control systems, and mechanisms to meet the extra requirements for information demand.

In addition, a well-developed and well-sequenced implementation strategy is critical. In order to ensure successful implementation and design of the reform, it is important to:

- perform a detailed diagnostic analysis of the existing budgeting system, especially the legal framework;
- conduct a thorough analysis of how the functions, roles and responsibilities of different actors in the government, including other centre-of-government role-players and Parliament, will be affected;
- develop a thorough understanding of the complementary, supportive reforms that are needed to accommodate programme budgeting;
- have a strong strategy for consultation with role-players and stakeholders, especially OMAs and civil society;
- have a comprehensive, multi-year, sustained capacity-building strategy for the MoF, line ministries, Cabinet and Parliament;
- have a clear understanding of the concepts, processes and systems needed for programme budgeting, and to develop simple explanations that can be communicated through a programme-budgeting manual; and
- have a clear roadmap that:
 - defines the needed changes;
 - prioritises and sequences reforms and;
 - covers the various issues to be considered when managing complex projects in government, such as the identification and roles of both political champions and technical champions in order to ensure sustained stewardship, especially at the MoF.

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Interviews

Structured interviews were held with officials from the following institutions:

- The Ministry of Finance
 - Office of the Deputy Minister
 - Office of the Permanent Secretary
 - Directorate Budget Management
- Parliamentary Committee on Public Accounts
- Ministry of Education
- Ministry of Environment and Tourism
- Ministry of Health
- Ministry of Trade and Industry
- Ministry of Agriculture
- National Planning Commission
- Office of the Prime Minister
- Silnam
- Institute for Public Policy Research
- International Monetary Fund

Appendix A: Excerpt of detailed programme budget structure for the Ministry of Education in Namibia

Programme	Activity	Sub-activity	Key cost driver	Main division	Info sources		
P:01 Pre-primary education and early childhood development	01.01 Teaching in pre-primary schools and ECD centres (incl. provision of learning materials)	01.01	01. Teaching activities and learning assessment in pre-primary schools and ECD (excl. special education)	No. of learners	MD. 01. Pre-primary education and ECD	Regions (via Gen. Edu. Dep.)	
		01.01	02. Teaching activities and learning assessment in pre-primary schools and ECD (special education)	No. of learners			
		01.01	03. Provision of workbooks and readers in pre-primary schools and ECD	No. of learners			
		01.01	04. Provision of stationery in pre-primary schools and ECD	No. of learners			
		01.01	05. Provision of playground equipment and other teaching aid in pre-primary schools and ECD	No. of learners			
		01.01	06. Provision of books and other material for libraries in pre-primary schools and ECD	No. of learners			
		01.01	07. Professional development for pre-primary teachers and ECD care givers organised by regions	No. of learners			
		01.01	08. Sub-activities in pre-primary schools and ECD that are not linked directly to teaching (administration etc.)	No. of learners			
		01.01	09. Other sub-activities relating to teaching in pre-primary schools and ECD	n.a.			
	01.02	Provision of school-feeding in pre-primary schools and ECD centres	No. of learners	MD. 01. Pre-primary education and ECD	Regions (via Gen. Edu. Dep.)		
	01.03	Subsidies for private pre-primary schools and ECD centres	01.03	01. Provision of subsidies to private pre-primary schools and ECD centres	No. of learners from disadvantaged communities	MD. 01. Pre-primary education and ECD	Regions (via Gen. Edu. Dep.)
			01.03	02. Provision of financial support other than subsidies to private pre-primary schools and ECD centres	No. of learners from disadvantaged communities		

Programme.	Activity	Sub-activity	Key cost driver	Main division	Info sources	
P:01 Pre-primary education and early childhood development	01.04 Management of hostels for boarders from pre-primary schools and ECD	01.04	01. Management of hostels for boarders from pre-primary schools and ECD (excl. feeding)	No. of boarders	MD. 01. Pre-primary education and ECD	Regions (via Gen. Edu. Dep.)
		01.04	02. Feeding of boarders from pre-primary schools and ECD	No. of boarders		
		01.04	03. Subsidies for non-governmental hostels with boarders from pre-primary schools and ECD	No. of boarders		
		01.04	04. Other sub-activities relating management of hostels for boarders in pre-primary schools and ECD	n.a.		
	01.05 Buildings and infrastructure for pre-primary education and ECD	01.05	01. Needs identification, feasibility studies and managements of tenders for pre-primary schools and ECD centres	Diff. btw. No. of required school buildings for PP and ECD and existing ones	MD. 12. Buildings and infrastructure	Regions (via Gen. Edu. Dep.)
		01.05	02. Construction and renovation of pre-primary schools and ECD centres	Diff. btw. No. of required schools for PP and ECD and existing ones		
		01.05	03. Needs identification, feasibility studies and managements of tenders for pre-primary schools and ECD hostels	Diff. btw. No. of required hostels for PP and ECD and existing ones		
		01.05	04. Construction and renovation of pre-primary and ECD hostels	Diff. btw. No. of required hostels for PP and ECD and existing ones		
		01.05	05. Needs identification, feasibility studies and managements of tenders for pre-primary schools and ECD houses	Diff. btw. No. of required staff houses for PP and ECD and existing ones		
		01.05	06. Construction and renovation of pre-primary and ECD teacher houses	Diff. btw. No. of required staff houses for PP and ECD and existing ones		
		01.05	07. Planning, administration, monitoring and evaluation relating to pre-primary schools and ECD centres, hostels and teacher houses	No. of staff working on buildings and infrastructure for PP and ECD		
		01.05	08. Other sub-activities relating to pre-primary schools and ECD centres, hostels and teacher houses	n.a.		

