



Performance and programme-based budgeting in Africa

A status report
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List of acronyms and abbreviations

ABC	activity-based costing
BMAU	Budget Monitoring and Accountability Unit
BMO	budget management by objectives
BPED	Budget Policy and Evaluation Department
CABRI	Collaborative Africa Budget Reform Initiative
CAR	Central African Republic
CEMAC	Central African Economic and Monetary Community
COA	chart of accounts
CSO	civil society organisation
DAF	financial administration director
DFID	Department for International Development
DNCP	National Directorate of Public Accounts
DNO	National Budget Directorate
DRC	Democratic Republic of Congo
EU	European Union
FMIS	financial management information system
IBP	International Budget Partnership
IFMIS	integrated financial management information system
IMF	International Monetary Fund
IT	information technology
MDAs	ministries, departments and agencies
MEO	budget formulation module
MoF	Ministry of Finance
MoFEA	Ministry of Finance and Economic Affairs
MoFED	Ministry of Finance and Economic Development
MoFPED	Ministry of Finance, Planning and Economic Development
MP	Member of Parliament
MPD	Ministry of Planning and Development
MTBF	medium-term budgetary framework
MTEF	medium-term expenditure framework
NBFP	National Budget Framework Paper
NPM	new public management
OBI	Open Budget Index
OBL	organic budget law
OBT	Output Budgeting Tool

ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PAP	priority action programme
PCR	project completion report
PEFA	Public Expenditure and Financial Assessment
PFA	public finance act
PFM	public financial management
PI	performance indicator
POB	programme operating budget
POU	programme operating unit
PPBB	performance and programme-based budgeting
SAI	supreme audit institution
SP	sub-programme
SWG	sector working group
WAEMU	West African Economic and Monetary Union

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Executive summary

This study focuses on three main issues with regard to performance and programme-based budgeting (PPBB) in African countries:

- the status of PPBB practices at end-2012;
- the main challenges in implementing PPBB reforms; and
- the impact of introducing PPBB in African countries.

Many African countries are following the worldwide trend of introducing a performance orientation into annual budget processes and of planning budget expenditures over a multi-year period. A major aim is to more closely align strategic socio-economic planning with annual budgets and medium-term budgetary frameworks (MTBFs). In francophone Africa, programme budgeting has been chosen as the preferred 'model' of performance budgeting. Elsewhere in Africa, although programme-based budgeting is being introduced in some countries, there is a greater diversity in the emerging performance-based budget systems.

The main objective of PPBB is to link annual budget spending allocations to budget performance. During budget preparation, programme performance is taken into account using systematic performance information. This does not, however, mean that there are mechanical links between programme performance and the level of programme funding. In fact, non-African country experience indicates that, for many budget expenditure programmes, it is difficult to establish firm links between budget allocations and performance. 'Performance-informed' annual budgets, nonetheless, provide budget decision-makers, Parliament and civil society with fuller information on the rationale and expected results of budget spending policies. After year-end, the actual results – both financial and non-financial performance indicators (PIs) and targets – can be compared with budget estimates. However, there is no consensus as to whether budget programme spending should increase or decrease where performance targets are not obtained.

Over 80 per cent of African countries are introducing, or are committed to introducing, some form of PPBB. In many cases, PPBB reforms are being adopted as part of a broader package of public financial management (PFM) reforms. The decision to introduce PPBB has originated in each country and/or under

Over 80 per cent of African countries are introducing, or are committed to introducing, some form of PPBB.

pressure from regional bodies in Africa or the donor community. PPBB reforms are being introduced mainly because the results-oriented approach to budgeting is perceived to be a major means of improving expenditure reallocation, particularly towards social sectors that contribute to poverty reduction.

To date, no African country has in place a fully fledged PPBB system – one in which budget appropriations are adopted by programme on a government-wide basis, the medium-term expenditure framework (MTEF) projections are also programme-based and fully consistent with the annual budget spending estimates, and annual performance reports of budget programme execution are prepared by all government ministries/agencies and are made publicly available to Parliament after the end of each fiscal year.¹ Two African countries (Mauritius and South Africa) have a functioning PPBB system, and eight others (Ethiopia, Kenya, Liberia, Malawi, Mozambique, Namibia, Tanzania and Uganda) have made considerable progress towards PPBB implementation. Nearly half of all African countries have either made some progress towards PPBB implementation or are at the beginning stages of PPBB reform (for example, they are drawing up medium-term strategies and performance-oriented 'budgets' in key sectors). The progress so far has mainly been at the ex-ante budget preparation stage. Ex-post reports on budget performance for each programme are rarely publicly available in African countries. A further 20 per cent of African countries are committed to beginning PPBB reforms in the near future. Most of these are francophone countries, where the regional bodies in west and central Africa (WAEMU and CEMAC, respectively) have issued directives requiring member countries to adopt PPBB. A few small or post-conflict countries have not yet begun PPBB reforms; instead, they are focusing

¹ The definition of a fully fledged PPBB system used in this paper is very demanding, and few advanced countries would completely satisfy all criteria (see Annex 4).

their efforts on improving the operation of their traditional budgets.

Many African countries have begun PPBB reforms while still having weak PFM systems (i.e. where preconditions related to the basics of annual budgeting and a properly functioning PFM system are not in place). For example, PPBB requires considerable budget management capacity in spending ministries, the senior officials of which, under PPBB, become responsible for budget performance. During budget execution, spending ministries need to be able to track and control spending, whereas these functions have traditionally been performed by a powerful central Ministry of Finance (MoF) in many African countries.

A few African countries began PPBB reforms more than a decade ago. Several are still struggling to implement the performance-oriented approach. In contrast, some countries, such as Mauritius, began reforms later and have made rapid progress, mainly because of satisfying many of the prerequisites for PPBB and having strong ownership of the reform.

The impact of introducing PPBB in Africa has been mixed. The main positive effects have been at the budget formulation stage. In some countries, the budget office (of the MoF) is now more concerned with broader resource allocation decisions than with the micro-management of ministries' spending programmes. In addition, more flexibility has been provided to spending ministries and agencies in determining their annual (programme) budgets; also, the quality of technical budget negotiations between the MoF and line ministries in some African countries has improved. Gradually, more performance information is becoming available.

The impact of PPBB on actual budget outcomes and on making spending ministries responsible for results has been quite limited. It is very rare for an African country to report on the reasons for not attaining or exceeding performance targets, and to link such analysis to requests for additional or reduced budget resources in specific budget programmes. Although African legislatures are becoming more active in budget processes, their focus has seldom been on performance. Budget programme managers are rarely named publicly or held to account for performance before parliamentary committees charged with examining budget outcomes and performance. External audit reports, which are not yet published in a timely manner in several African countries, are usually compliance-oriented (which is appropriate when PFM systems are weak), rather than performance-oriented. Monitoring and evaluation of budget programmes is quite weak and may be an important explanatory factor as to why the expected benefits of PPBB are not accruing.

There are substantial challenges in implementing PPBB in Africa. Dominant among these are: a lack of political ownership; approaching PPBB as a technical exercise, without due consideration of the need to get the basics of budgeting

There is no 'one-size-fits-all' strategy for overcoming the multiple challenges of PPBB implementation in Africa.

and PFM functioning well first; low capacity (knowledge, staff and funding) to implement PPBB; poor accounting and IT systems that cannot trace programme spending from budget appropriations through to payments; inadequate internal and external audit capacity; and legal and regulatory challenges. Also, several countries specify an excessive number of performance targets, of which only a few are pertinent and useful for budget allocation decisions.

There is no 'one-size-fits-all' strategy for overcoming the multiple challenges of PPBB implementation in Africa. A differentiated approach is needed. Although this report proposes a generic set of recommendations for taking PPBB further, there is a clear need to adapt the pace of reform to each country's needs and capacity. In recognition that PPBB reforms are complex and time-consuming, and require attitudinal shifts from a patronage budget system to one based on individual responsibility of the politicians and public servants who manage budget programmes, the next steps for PPBB in Africa could be prioritised as follows:

- For countries whose basic PFM systems are still very weak, the top priority should be to improve annual budget credibility, particularly at the budget execution, accounting, reporting and external oversight stages. PPBB reforms should either be put on hold or be introduced extremely slowly in a few key sectors or ministries.
- For countries whose PFM systems have specific weaknesses and where budget management capacity and accountability is low, important priorities include addressing the remaining PFM weakness, enhancing budget management skills, holding budget managers to account before parliamentary budget committees and making external auditing more effective. PPBB reforms could follow slowly once accountability and fiscal transparency have improved.
- For countries whose PFM systems are broadly satisfactory, PPBB reforms could proceed at a moderate pace.

The appropriate pace of PPBB reform would depend particularly on the existence of the following: extensive political ownership of the reforms; 'champions' for reform (including in the MoF); a coherent implementation strategy with a realistic timeframe; adequate training in all ministries to enhance understanding and implementation capacity; and technical support for ensuring that budget financial and performance information is readily available.



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1. Introduction

Performance and programme-based budgeting (PPBB) is being embraced by African governments in order to realise better service delivery and to improve value for money in public spending. These objectives are linked to the goal of making governments accountable for achieving the objectives of poverty reduction strategies or national development plans and for delivering results from annual budget spending.

Prior to 2000, only a few African countries were beginning to introduce PPBB reforms. In contrast, over the past decade, many African countries have taken initial steps towards a PPBB system. In some countries, this began by changing the legal basis for the national budget system. While some countries that embarked on PPBB reforms more than a decade ago (e.g. Burkina Faso, Mali and Namibia) are still finding it challenging to change long-standing budget practices, a few African countries that began PPBB reforms more recently have experienced some success in introducing a performance orientation in budget processes, especially at the budget preparation stage.

There are not many case studies that examine the impact of PPBB reforms undertaken in Africa. For South Africa, one of the early PPBB reformers in Africa, Andrews (2003) notes various needs for taking the reforms further, including: to strengthen the links between performance information and budget allocations; to ensure that performance targets are relevant and realistic; to identify who is responsible for performance; and to introduce the institutions necessary to enforce accountability at both managerial and political level. In 2003, the Overseas Development Institute (ODI) prepared case studies on results-oriented expenditure management in Burkina Faso, Ghana, Mali, Tanzania and Uganda. These studies showed that progress in implementing an effective PPBB system was limited. In countries such as Mali, the PPBB needs were perceived to be 'so immense that requests to draw up budget programmes automatically lead to unrealistic proposals' (Raffinot, Muguet & Touré 2003). Ghana's budget system was 'not yet performance oriented because the many efforts to reform had failed to overcome procedural inertia and a persistent culture of non-performance and non-accountability in the public service' (Odoro 2003). Another perceived problem in these countries stemmed from the fact that budget resources depend to a great extent on external donors, who could help in PPBB

Over the past decade, many African countries have taken initial steps towards a PPBB system.

implementation by keeping to their multi-year commitments for funding national budget programmes.¹

Since 2004, CABRI has encouraged reviews of PPBB implementation in Africa, through annual seminars and joint country case studies. In 2006, for example, the challenges associated with introducing PPBB in Kenya were identified. These included a rigid annual budget structure, lack of an integrated financial management information system (IFMIS) and the absence of an organic budget law (OBL) requiring PPBB (Khasiani & Makau 2006). The rapid progress in implementing a PPBB system in Mauritius has been documented (CABRI 2010). In 2012, the annual CABRI seminar was devoted exclusively to PPBB issues. For this seminar, mini-studies on PPBB reforms in Burkina Faso, Ghana, Mali, Mauritius, Morocco and Mozambique were prepared (Fölscher 2012). Seminar participants, including those from Côte d'Ivoire, Rwanda and Tunisia, reported on the status of PPBB reforms in their countries. In 2012, a country learning study of PPBB reforms in Namibia was completed (CABRI forthcoming). In total, some ten case studies on PPBB reforms are publicly available. These cover only about 20 per cent of all African countries. To date, there is no comprehensive study of PPBB reform in Africa as a whole.

This report aims to address these gaps by considering the status of PPBB reform in all 54 African countries.² The study has three major aims – to examine the:

- status of PPBB reforms in Africa;
- impact so far of PPBB reforms undertaken in some African countries; and
- challenges facing countries implementing PPBB.

¹ See, especially, the Mali ODI study (Raffinot et al, 2003) and Mesplé-Somps, Malgoubri, Muguet & Zongo (2003), Odoro (2003), Rønsholt, Mushi, Shallanda & Assey (2003) and Williamson (2003).

² The 54 countries are those officially recognised as sovereign states by the United Nations. It excludes non-self-governing territories such as Western Sahara or Somaliland, and territories dependent on, or an integral part of, former colonial powers.

This report draws on four main sources: the aforementioned studies; a CABRI-sponsored survey of PPBB reforms, conducted in 2012, for which 15 countries completed questionnaires (see Annex 1); four new case studies (see Part B); and the 2012 Open Budget Survey (IBP 2012).

Frequently, PPBB reforms are introduced simultaneously with other budget and PFM reforms, particularly with regard to a medium-term perspective on budgetary developments. In the 2008 Budget Practices Survey, the majority of the 26 responding African countries indicated that they presented a medium-term expenditure framework (MTEF) to their legislatures (CABRI 2008). MTEFs are used for the purposes of aggregate spending control and of allocating budget resources between sectors or programmes. Ideally, medium-term projections of budget programmes based on existing spending policies, together with the impact of proposed new budget policies, are clearly linked to programme-based annual budgets. In this report, the focus is on the performance and programme orientation of national budgets, not the status and impact of MTEFs in Africa. For reviews of MTEFs, see CABRI (2007) and World Bank (2013).

This report also does not consider the status and impact of PPBB reforms that have begun at sub-national levels in some African countries. Instead, it aims to be comprehensive, by covering central government PPBB reforms (or absence thereof) in all African countries. Information on PPBB-type

reforms at sub-national level is scarce. In the future, it would be of interest to study such reforms, especially since several African countries are delegating spending authority in key areas of education, health and rural development to lower levels of government, as part of ongoing decentralisation reforms. In these sectors, budget performance is more easily measured by output/outcome indicators than is, say, national sovereignty, which is retained in central governments' budgets.

This status report is expected to assist CABRI in disseminating lessons on PPBB experiences in Africa, and to serve as a guide to government officials and the international community on the desirability and speed of PPBB implementation in Africa. Part A is made up of seven further sections. Section 2 provides an overview of the concepts of PPBB and a brief overview of non-African experiences with PPBB systems, including their use and ongoing challenges. Section 3 examines the readiness for introducing PPBB reforms in Africa, with a focus on satisfying preconditions and sequencing the reforms. Section 4 reviews the current status of implementing PPBB in Africa. Sections 5 and 6 examine PPBB's impact and ongoing challenges. Section 7 discusses the way forward for implementing PPBB in Africa. Section 8 draws some conclusions. Part A includes four appendices. Part B presents the new case studies on Burkina Faso, Mozambique, Tunisia and Uganda.

Countries involved in the case study



2. What is PPBB and how is it practised outside Africa?

This section discusses the concepts and experiences of PPBB, primarily with reference to developments in the evolution of PPBB systems in non-African countries, especially those that are members of the Organisation for Economic Co-operation and Development (OECD).

What is performance budgeting and what are the reasons for its adoption?

'Performance budgeting', 'performance-based budgeting' and 'budgeting for results' are similar terms, with a common uniting feature: they are all concerned with introducing performance information into budget processes. The OECD (2007a) has defined performance budgeting as a form of budgeting that relates funds allocated to measurable results. Robinson (2007) defines performance budgeting as a budget system that aims to improve the effectiveness and efficiency of government expenditure by linking the funding of public sector organisations to the results they deliver. However defined, in performance budgeting systems, performance information, notably performance indicators (PIs) and targets, evaluations and programme costings, are used to establish the links between performance and budget allocations.

To clarify performance-related concepts, some non-African countries have sharpened the distinction between outputs, outcomes and inputs:

- *Outputs* are goods or services that a ministry delivers to third parties, usually households or enterprises, although some outputs are delivered to other public sector agencies. Examples of outputs are medical treatments, students taught and policy advice. Most government outputs are services, not goods.
- *Outcomes* are the intended impacts of outputs. For example, criminal investigations are a police output for which the outcome is reduced crime. Outcomes can be ranked: there are intermediate and final outcomes. For example, a higher level of education can be regarded as an intermediate outcome that leads to higher economic growth, the final outcome.

By making explicit the purposes and results of budget spending, budget programme managers can be held to account by the legislature and citizens.

- *Inputs* refer mainly to labour, other inputs and capital goods (assets) that are needed in production processes to deliver outputs. Results in public services also stem from intangible inputs such as staff morale and organisational culture.

Using these three concepts, it is possible to measure the *efficiency* of government spending as the output/input ratio, and the *effectiveness* of spending as the extent to which objectives (or outcomes) are achieved by inputs and outputs. When relating outputs to the outcomes of public policies, only some of the factors affecting an outcome are under the government's control. This makes it difficult to identify the policy and non-policy reasons for the final outcomes of budget programmes.

The reason for adopting a results-oriented budget is to overcome the inadequacies of the traditional line-item (or input-based) annual budget, notably its absence of focus on the purposes of public spending. The shift to PPBB is intended to achieve greater clarity on the links between inputs, outputs and outcomes, and to provide a tool for budget decision-making based on performance information. By making explicit the purposes and results of budget spending, budget programme managers can be held to account by the legislature and citizens. In comparison to the traditional line-item budget, PPBB is perceived to:

- *ensure accountability* – governments need to assure taxpayers that public resources are allocated, spent and managed efficiently and according to the purposes for which they have been voted, thereby improving budget outcomes;
- *improve resource allocation and management* – public officials need to ensure value for money and that expenditure is effective (MTEFs can be introduced to improve planning beyond the annual budget); and
- *enhance efficiency* in the delivery of public services.

Performance budgeting and performance management

In performance budgeting systems, budget managers are required to 'produce' outputs and to contribute to outcomes. Budget managers are provided with spending authority and flexibility in choosing resources (inputs). As a counterpart to enhanced flexibility, budget managers are held accountable before political authorities, Parliament and the public. In contrast, in traditional budget systems, a central MoF controls budget processes and input spending. 'Input-based' budget systems weaken the responsibility of spending ministries to deliver results.

Performance budgeting can be viewed as part of a broader system of 'performance management' or 'managing-for-results', in which the objectives (outcomes) that the government aims to achieve are clearly specified. Strategic planning that emphasises management and performance expectations are essential ingredients of a performance management system. Some OECD countries (e.g. Sweden) have moved away from performance budgeting systems, while strengthening their performance management systems.

Besides developing performance information for budget programmes, in some performance budgeting systems, non-African countries have introduced greater flexibility in human resources management. This involves introducing performance-based rewards and sanctions for civil servants. Some countries have delegated to spending ministries the authority to sanction or dismiss poor performers, to transfer or terminate the contracts of employees who are no longer needed when budget programmes are downsized, and to set salaries, other remuneration and employment conditions for staff. In contrast, under a traditional budget system, the control of civil service employment and personnel policies is retained centrally by a 'ministry of civil service' (or an equivalent).

Other performance management measures of 'new public

The key characteristic of all performance budgeting models is that they attempt to link budget funding and results.

management' (NPM) have been introduced in some countries.³ These include market-type mechanisms such as contracting out or the provision of vouchers to beneficiaries for the purchase of educational or health services (see Blöndal 2005). Market-type mechanisms require government agencies to be very attentive to the needs of their 'customers' and the general public. However, not all politicians or government agencies wish to change the status quo, and some resist being forced into improving the timeliness and quality of public services.

³ NPM was a new model of public administration developed in some countries in the 1980s and 1990s, which emphasised the following: reducing the size of the government by means including privatisation or the use of market mechanisms in public service delivery; and a drive for efficiency and effectiveness in public services, including by way of decentralisation, delegation of authority, an emphasis on performance and results, and private sector management styles. Hood (1991) provides an early review.

Performance information and performance management

It is not possible to budget for performance unless performance is measured. For this reason, many countries have invested heavily in performance measurement. PIs are quantitative measures that provide information on the efficiency and/or effectiveness of budget programmes. Whereas an *objective* states what a budget programme endeavours to achieve, a performance *indicator* is quantified. For example, a PI may be the percentage of the population that achieves at least result X. A performance *target* goes a step further by setting the specific date by which X must be achieved.

PIs of budget programmes need to be relevant (related to programme objectives), representative, unambiguous, comparable (over time and across organisations/units) and cost-effective (PIs are based on data and information that can be costly to collect).⁴ Initially, some non-African countries drew up too many PIs, some of which did not satisfy these criteria or led to perverse effects. For example, a PI may over-focus on easily measured or specific results, to the detriment of other dimensions of results. Non-African countries have learnt the importance of choosing only a limited number of key PIs – those particularly useful for budget decision-makers. It is also important to analyse and interpret PIs so that they, along with other performance information, provide the best possible conclusions about the overall performance of budget programmes.

PIs need to be seen as just one component of information on performance. Another major source of performance information is the *evaluation* of budget programmes. Both internal and external evaluations can contribute to improvements in budget programmes' effectiveness and efficiency. Some OECD countries have built programme evaluations into their budget practices in a systematic way,⁵ and/or have conducted regular in-depth ex-post spending reviews as part of their budget processes (for a review, see Robinson 2013). This report does not elaborate on countries' experiences with evaluations.⁶

It is possible to obtain performance information (PIs and evaluations) and still not budget for performance. Considerable efforts have been made to define objectives (outcomes), outputs and PIs. However, there has been less success in OECD countries in linking budget allocations to the performance information. Thus, for many governments, the definition and compilation of data on performance, which was intended to be only the first step of a performance-linked budget system, has also been the last.

⁴ For a discussion of these criteria, see Robinson (2011).

⁵ For Australia's and Chile's experiences, see Mackay (2011, Box 2) and Guzmán (2007), respectively.

⁶ The reader is referred to Robinson (2011, Chapter 6) for practical guidance on evaluations of budget programmes. For a general discussion on the role of evaluations, see Furubo (2003).

Table 1: Categories of performance budgeting systems

Type	Characteristics	Link between performance information and funding
1. Presentational performance budgeting	Performance information is presented in budget documents or other government documents. The information can refer to targets and/or results. It is included as background information for accountability and discussions on public policy issues. The performance information does not play a role in budget decisions.	No link
2. Performance-informed budgeting	The performance information is important in the budget decision-making process, but does not determine the amount of resources allocated and does not have a predefined weight in the decisions. Performance information is used along with other information in budget decision-making processes.	Loose/indirect link
3. Direct or formula-based performance budgeting	Resources are allocated on the basis of results achieved. This form of performance budgeting is used only in specific sectors in a limited number of OECD countries (for example, for tertiary education funding, when it is based on the number of students in attendance or who graduate).	Tight/direct link

Source: OECD (2007a).

‘Models’ of performance budgeting

The key characteristic of all performance budgeting models is that they attempt to link budget funding and results. Some performance budgeting ‘models’, including programme budgeting (see below), are government-wide systems. Others apply performance budgeting only to particular sectors. Whereas some performance budgeting systems aim principally to improve expenditure prioritisation, others focus mainly on improving spending *efficiency* and *effectiveness*. Budget systems also have to balance these aims with improvements in the *equity* of spending (i.e. ensuring that target populations, such as the poor, benefit more than just proportionately from the spending policy). As mentioned above, performance budgeting systems also differ as to whether evaluations of budget spending are an integral part of regular budget processes.

The OECD has identified three ‘models’ or categories of performance budgeting systems: (1) presentational; (2) performance-informed; and (3) directly linked or formula funding. The three ‘models’ are distinguished by the extent of linkages between performance information and budget allocations (see Table 1). It could be argued that the first category – presentational performance budgeting – is not a performance budgeting system at all, since an essential feature of all performance budgeting systems is that there is at least some link between performance and budget allocations.

Without strong linkages between performance and budget allocations, performance budgeting is an analytical tool. With strong linkages, it is a decision-making process (see Schick, 2007). For most analytical purposes, it suffices to associate performance information with budget programmes and/or activities within programmes. In contrast, if budget decisions are to be made on the basis of marginal results, data on costs and results must be attributed to discrete organisational units. Lacking robust cost accounting systems, many countries do not allocate costs, thereby making it difficult to connect incremental budget resources and results.

How is performance information used in non-African countries?

If performance budgeting is only a system that provides performance information (objectives/outcomes, outputs, PIs and performance targets), many countries could claim to have introduced such a system ‘successfully’. However, if a performance budgeting system is one in which there are formal links between increments in spending and increments in results, no OECD country would claim to have introduced such a system, at least not on a government-wide basis.

Only about two-thirds of OECD member countries fall into categories 2 and 3 of Table 1 (i.e. have established some links between performance and budget expenditures).⁷ Direct, or formula-based, performance budgeting has been applied successfully to only a few areas of government spending, mainly in higher education teaching, research and health (see OECD 2007a, Table 3.1; Robinson 2007, Part II). It is impossible to classify any country as belonging exclusively to one of the three categories in Table 1. Even if many OECD countries have elements of ‘performance-informed’ budgeting, they may simultaneously have features of the other two categories. For example, Denmark’s performance contracting system is ‘presentational’, whereas its university funding system is ‘formula-based’ (OECD 2007a).

Concerning the use of performance information, only a few non-African countries have a formal *comprehensive* approach that requires all ministries to present performance plans to the MoF along with their spending proposals. Several countries have a *non-comprehensive* approach that requires performance plans from some ministries, or that requires performance plans only for new spending proposals or additions to existing spending. The OECD concludes that in its member countries:

the MoF rarely uses performance results to determine budget allocations. At best, performance results can be used to inform budget allocations along with other

⁷ See responses to question 76 of OECD (2007b).

information. Even this use of performance-informed budgeting can be sporadic. The use of performance information in budget negotiations and the weight given to it varies among countries and also within countries depending on the information available, the policy area and the wider economic and political context. (OECD 2007a: 44)

Programme budgeting

Programme budgeting is a form of performance budgeting in which budget expenditure is planned and managed by programme. The objectives of each budget programme are clearly specified and formally approved by the government and the legislature. Programmes may be divided into sub-programmes and/or activities, with which PIs and targets can be associated. A fully fledged programme budgeting system contrasts with a non-programme budgeting appropriations system, in which economic categories, such as salaries, goods and services, transfers and capital, and/or administrative categories (e.g. ministry and department within the ministry) are the central focus of the annual budget law or appropriations act(s).

An initial step in programme budgeting is to establish budget programmes for all or most expenditures of the annual budget. Under a fully fledged programme-based annual budget, Parliament votes the budget allocations by 'programme', and MTEF projections accord with the same 'programmes' as those of the annual budget. These 'programmes' may be presented as programmes per se (as in France and Korea), outputs (as in New Zealand), outcomes (as in Australia)⁸ or 'requests for resources' (as in the United Kingdom).

Not all non-African countries with performance-oriented budget systems have changed their appropriation structures to programmes. For example, in Canada, Sweden and the United States, budget appropriations are approved by a classification system that is not primarily programme-based. Some large countries (e.g. Germany, Japan and Turkey) have not yet introduced a performance orientation to budget appropriations and do not have budget programmes.

Under programme budgeting, once the amount for programme spending on 'new policies' is agreed by political authorities (perhaps at sub-programme or activity level), the budget resources needed for each programme may be projected for several future years and integrated into the MTEF's ceilings on total and sectoral spending. Several African countries have opted for this approach: MTEFs have already been prepared and programme budgets are now being grafted onto MTEFs. In contrast, very few non-African countries have adopted this particular approach, although France (as of 2006) and Italy are adopting it. In France, the programme-based MTEF covers only the central government – less than 40 per cent of total general government expenditure (a programme-based MTEF has not yet been introduced for

social security spending, and local governments are not required to introduce programme-based budgets). For Italy, although a new programme classification was provided in its 2008 budget documents, the annual budget voted by Parliament was still disaggregated into line items (IMF 2009).

For annual programme budgets, spending approvals are limits on spending that the government must adhere to during budget execution. In countries with 'programme' budgets, parliamentary authorisation in appropriations acts (or the equivalent) is usually at the programme level; few non-African countries' Parliaments approve appropriations at the sub-programme level. It is also unusual to retain parliamentary control over salary or other 'input' spending categories. France is an exception: within programmes, Parliament approves a binding ceiling on salary expenditure.⁹

In OECD countries where Parliament approves spending by 'programme', the MoFs have not abandoned all expenditure controls. Not infrequently, reallocations between categories of spending within programmes are approved by the minister of finance or the MoF, rather than by the spending minister or ministry. In programme budgeting systems, different levels of control are exercised by Parliament, the government and the MoF. Nonetheless, there has been a tendency in non-African countries for the MoF to focus only on the broad allocation of resources, while abandoning detailed expenditure control, because it aggravates the under-execution of budgets (this is still a problem in some African countries). This provides spending ministries with the discretion to reallocate 'minor' spending categories.

A programme budget system is incomplete if annual budget financial outcomes cannot be classified and evaluated by programme. Countries have adapted their financial management information systems (FMISs) to ensure that ministries' budget programme spending can be traced in a format compatible with national (or international) accounting and reporting standards. This does not necessarily mean that all spending ministries have identical computerised FMISs. However, it does require ministries' FMISs to communicate seamlessly with those of the MoF, thereby making it possible to report on actual budget programme spending and to compare it with budgeted spending on a programme (output, outcome) basis. Computerised reporting systems for non-financial data, notably PIs, also have been put in place, so that ministries can ascertain whether performance targets have been attained or not, and for studies to be done on the relationship between performance and budget allocations.

Budget programmes, administrative structures and budget appropriations

Ministries' internal administrative structures and the specification of budget programmes pose a challenge for programme budget design. Internal organisational units that contribute to several outputs (or outcomes) are the most problematic, as heads of

8 Kim (2007) discuss the contrasting experiences of Australia, which adopted an outcome-based 'programme' appropriation system, and New Zealand, which adopted an output-based appropriations system.

9 This provision is being replicated in many francophone African countries, mainly because their organic budget laws (OBLs) are modeled on France's 2001 OBL.

internal units may have differing views on programme outputs and input mixes, as well as differing management styles.

There are two options for resolving the tension between administrative structures and budget programmes. The first and easiest is to define programmes around existing organisational structures. However, this requires a heroic assumption that the output of each administrative unit (or group of units) constitutes a well-defined and stand-alone programme. It also constrains desirable administrative restructuring, which may be needed following a functional review of each unit. The second approach is to accept the differences between administrative and programme structures, and to assign a lead agency to take responsibility for programme design, outputs and performance information. Managers of budget programmes that span several administrative units (or even ministries) need to possess strong management skills, and be adept at internal communication and in initiating collaboration for achieving programme outputs.

Outside of the African continent, there is no unique 'best practice' for the structure of appropriations and budget programmes. In practice, a mix of the above two approaches is observed. For example, in Sweden, the annual budget adopted by Parliament is in terms of 27 'expenditure areas', which the government breaks down further into 48 'policy areas'. Most 'policy areas' are subdivided into 'activity areas'. While there is alignment of 'activities' and organisational structures at the 'branch' level within Sweden's 300 government agencies, each agency or ministry may contribute to several 'policy areas' (outcomes).¹⁰

The costing of budget programmes

Budget programmes need estimates of *direct* and *indirect* costs. Direct costs are the spending on inputs that contribute only to a single programme. An indirect cost, or an overhead, is spending that contributes to several programmes (or sub-programmes). Such spending supports the running of a ministry as a whole (e.g. spending on human resources management or IT support). Non-African countries have experienced challenges in allocating indirect costs to specific programmes and have made a choice between two alternatives. The first is to allocate indirect costs on a proportional basis to various programmes (within a single ministry or across ministries in countries where inter-ministerial programmes exist). The second is to create a single 'administration' programme. This is a pragmatic way of allocating ministries' spending on overheads. However, it is difficult to measure the performance of 'administration' programmes.

A more sophisticated approach for indirect cost allocation is to use management accounting techniques and to apply them for each element in the programme hierarchy: programmes,

¹⁰ Performance targets and goals are set at the 'policy area' and 'activity' levels. Sweden's approximately 300 semi-autonomous government agencies implement budget policies. The central ministries are relatively small – their output is mainly policy advice. Each agency is subdivided into one or more branches. Each branch is unique and belongs to only one activity area and, hence, only one policy area. An agency can be active in several policy areas. One extreme example is the Social Insurance Administration, whose activities are divided into six policy areas, ten activity areas and 30 branches (see Sweden country note in OECD 2007a).

sub-programmes and activities. Non-African countries have recognised that there is a trade-off between the number of hierarchical levels for programmes and the derivation of costs at each level. Complexity quickly develops and the 'returns' diminish with increased complexity of costing method. Another challenge is the heterogeneity of unit costs for some types of spending: unit costs are uniform for some activities but not others (e.g. the unit cost of treating each patient at an emergency room of a hospital is highly variable). Because of these challenges, only a few countries have made sustained efforts to identify cost drivers for each activity of budget programmes. Even so, the use of sophisticated accounting techniques for costing budget programmes, such as activity-based costing (ABC) or feasibility studies, is not widespread in non-African countries. ABC experiences in the governments of two advanced countries (the USA and UK) indicate that there are considerable costs in setting up and operating ABC systems, which may outweigh the benefits (see Lienert 2008).

The links between programme budgeting and performance budgeting

A principal aim of programme budgeting is to improve expenditure prioritisation (or 'allocative efficiency'). During budget preparation, programme budgeting may also focus on the performance of spending by government ministries and agencies. As such, it can provide a framework for re-examining the technical efficiency of government spending programmes, which focuses on the relationship between inputs and outputs. When this happens, programme budgeting fulfils the primary function of performance budgeting. Since the budget reforms undertaken often serve both objectives – improving expenditure allocation and spending efficiency – in this report, such budget systems are referred to generically as 'performance and programme-based budgeting'.

In non-African countries, there are many types of PPBB systems. For example, a few non-African countries have formalised the links between performance management and annual budget (appropriations) structures. In other countries, the performance management system is not tightly linked to the budget management system. In part, this reflects the political priority accorded to achieving macro-fiscal stabilisation (a top priority in the countries with high public debt/GDP ratios), expenditure rationalisation and improvements in budget spending efficiency.

Lessons from implementing PPBB in non-African countries

Some non-African countries have now had more than 25 years' experience with PPBB implementation. Over this time, countries have experimented with, learnt from results, and readjusted PPBB systems whenever necessary. For example, in Australia, although the current goals of its outcome-based PPBB system remain consistent with those originally announced in 1984, there have been spurts of reform and reductions in emphasis on certain initiatives only to see them re-emerge a decade later. In

Table 2: Design and implementation of PPBB – lessons from OECD countries

PPBB Design	PPBB Implementation
<ul style="list-style-type: none"> Adapt the approach to the national political context (there is no one PPBB model) Have clear reform objectives and state them clearly from the outset Consider how the existing budget systems can be aligned to the performance approach Integrate performance information into the budget process, but avoid government-wide systems that tightly link performance results to resource allocation Design reforms with the end user in mind and involve key stakeholders in PPBB design Develop a common whole-of-government planning and reporting framework Develop and use different types of performance information Make independent assessments of performance information Develop incentives to motivate civil servants and politicians to change their behaviour 	<ul style="list-style-type: none"> Adapt the implementation approach to the wider governance and institutional structures Allow flexibility in implementation Ensure 'ownership' of the PPBB reforms by the political and administrative leaders Develop the capacity of the MoF and spending ministries Focus on outcomes, not just outputs Have precise goals, and measure and monitor progress towards achieving them Limit the number of targets of budget programmes Ensure information systems communicate with each other Enhance inter-ministerial co-operation and consultation Improve the presentation and reporting of performance information Recognise the limits of performance information Manage expectations and changes

Source: OECD (2008).

view of the fact that PPBB systems are diverse across countries – and are continuing to evolve – OECD guidelines for good practice in PPBB design and implementation are not formulated in specific terms (see Table 2).

There is now recognition in OECD countries that the gains of the PPBB reforms have to be counterbalanced by the costs of implementing them and addressing mistakes. Often, PPBB reforms have been undertaken in the context of wider public sector reforms based on the principles of NPM. In recent years, some of the assumptions underlying NPM have come under critical review. For example, at the 7th Annual Meeting on Performance and Results, senior budget officers of OECD countries observed that the countries that had gone furthest in NPM reforms (e.g. Australia, New Zealand, the Netherlands and the UK) had considerable experience in coping with the problems of PPBB reforms (OECD 2011), including the following:

- The financing of government ministries and agencies on the basis of output targets may have led to a loss of quality of public services.* This stems from three fundamental difficulties with PPBB:

 - Outcomes can be difficult to measure.* Although measurable in some areas (e.g. sub-sectors of education), outcomes in other sectors are not easily identified. Kraan (2012) argues that this stems from the fact that the objectives of budget programmes are specified by politicians, who also decide on the financing of the programmes. For many politicians, objectives are multiple and/or ill-defined.
 - Output definitions can be subject to frequent reformulation.* While outputs are more easily measured than outcomes, when definitions change, it is difficult to achieve consistency and comparability of outputs over time. It also makes benchmarking difficult.
 - There is no consensus on what happens when output targets are not met.* Although, in principle, government agencies that underperform 'should' have sanctions imposed on them, this seldom happens in practice. Instead, since budget managers may receive a lower budget in the following year if PIs are not attained,

there are perverse incentives: targets are artificially lowered in order to decrease the risk of underperformance, output indicators are chosen so that they are easy to meet but have nothing to do with the outcomes politicians are interested in, and 'gaming' is experienced (emphasis is placed on activities that improve the data).

- Loosening standards of operational management and higher cost of budget programmes.* Under PPBB, the autonomy granted to budget managers concerning the use of inputs cannot be unlimited, even if budget programme managers are held accountable for outputs. Agency managers are better informed about the costs of inputs and the hidden characteristics of outputs, and information asymmetries have given agencies the upper hand in budget negotiations, resulting in high-cost programmes.
- Budgeting on the basis of output targets has led to excessive budget documentation.* The budget documentation submitted to Parliament in PPBB systems is voluminous, at least for output/outcome information (but not for input information, which has been removed). This information overload has not necessarily been conducive to enhanced parliamentary oversight.
- Outsourcing of certain services to the private sector has led to a decrease in service quality and higher costs.* Outsourcing can lead to quality and efficiency gains if markets are competitive. However, for some government services, markets are not competitive, and transaction costs and uncertainty have been higher than anticipated.

The above lessons and challenges provide important warnings for African countries that are making considerable efforts to introduce PPBB reforms, especially by specifying the objectives of new budget programmes and PIs consistent with national development plans or millennium development goals. The perceived benefits should be balanced against the costs of the reform efforts and the impact 'on the ground' in Africa.¹¹

¹¹ Curristine and Flynn (2013) discuss the challenges of engaging politicians in the legislature and in the executive.

3. Readiness of African countries to implement PPBB

The change from a traditional ‘input-based’ budget system to a PPBB system is a far-reaching reform. It affects all actors in budget processes: civil servants (especially those in senior positions and in budget and financial management); the military; the country’s president, prime minister, all government ministers and their advisors; and Parliament and its supporting bodies, including the supreme audit institution (SAI). Some countries require PPBB to be implemented by local governments as well as by the central government.

PPBB introduces changes at each stage of the budget cycle: the draft budget prepared by the government focuses on objectives and outputs, rather than on inputs; the annual budget approved by Parliament provides information on the results expected from budget programmes, with less detail on individual spending items than found in traditional budget systems; budget execution, expenditure control, internal audit and accounting are delegated to spending ministries, even though the MoF retains centralised cash management, consolidated accounting and fiscal reporting. External audits focus on performance (value for money) as well as on financial compliance; and ex-post evaluations of spending programmes are conducted. A substantial amount of budget information, including non-financial information on performance, is transmitted to Parliament and published.

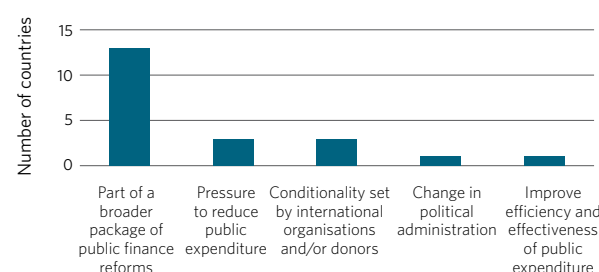
Given the pervasive nature of PPBB reforms, each country has to be well prepared. After discussing the triggers for PPBB reforms in Africa, this section stresses the importance of first ensuring that the basics of annual budgeting and the PFM system are on a sound footing. It then provides an assessment of the readiness of 31 African countries to introduce PPBB – the extent to which various preconditions for PPBB implementation are met. Finally, this section briefly discusses sequencing issues for PPBB implementation in Africa.

Triggers for PPBB reform in Africa

In most of the 15 countries surveyed by CABRI in late 2012, PPBB reforms are being adopted as part of a broader package of public finance reforms (see Figure 1). The pressures to introduce PPBB reforms have originated from individual countries, regional bodies in Africa, and the international donor community, which often has supported the reforms with technical assistance. For instance, the IMF provided

technical assistance for the preparation of the directives of the West African Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Community (CEMAC) that were adopted by councils of ministers in 2009 and 2011. These directives require all 14 francophone member countries to move to programme budgeting. In some countries, international financial institutions required the adoption of MTEFs (which were seen as an early step towards PPBB) as a condition for the disbursement of loan and budget support. Worryingly, only one of the 15 countries surveyed indicated that it was adopting PPBB specifically to improve the efficiency and effectiveness of public spending, despite this being a fundamental feature of the reforms.

Figure 1: Triggers motivating implementation of PPBB



Source: PPBB survey, CABRI, November 2012.

The importance of getting basic PFM right first

In warning low-income countries not to undertake the same PPBB-type reforms that a few advanced countries had adopted, Schick (1998) recommends that countries ‘must be able to control inputs before they are called upon to control outputs; they must be able to account for cash before they are asked to account for cost; they must abide by uniform rules before they are authorised to make their own rules’. Since PPBB is a complex and pervasive reform, politicians and officials must concentrate on the basics of PFM first.

There is an emerging consensus as to what constitutes ‘core’ or ‘basic’ PFM functions. The basics can be ranked in hierarchical order: first, financial compliance and control, which is followed

by aggregate fiscal discipline and, then, efficiency and effectiveness in resource use (see Diamond 2013a). PPBB reforms are the last reforms that should be undertaken, following the establishment of basic financial compliance and the control of fiscal aggregates such as deficits and public debt. Tommasi (2013) indicates that, in many developing countries, ‘substantial progress in achieving operational efficiency objectives could be achieved through measures aimed at meeting financial compliance such as implementing better input control, eliminating waste, and ensuring compliance with the budget and regulations, instead of developing sophisticated PFM tools focused specifically on performance’.

Given their complexity, PPBB reforms should not begin until the basics of annual budgeting are in place (MTEFs can follow). A credible annual budget is the top priority. For annual budget preparation, this includes ensuring that revenue projections are realistic, expenditures are well costed, the budget is comprehensive (e.g. all donor-financed spending is included) and the budget calendar is clear and adhered to. A budget is credible in execution when spending control, the procurement system, cash management and internal audit are all working well, so that there are no payment arrears. Credible government accounts are those available on time for an annual financial compliance audit, which pronounces the accounts to be reasonably accurate, thereby lending credence to regular in-year budget execution reports.

To measure the basics, many of the Public Expenditure and Financial Assessment (PEFA) PIs can be used, although the PEFA framework does exclude a few; for example, there are no direct PIs pertaining to the legal basis of budgeting, IT systems for PFM, or ‘exceptional’ budget execution procedures. In some African countries (especially francophone), exceptional procedures are widespread: regular budget execution controls are bypassed, often because the steps in ‘normal’ budget execution are too numerous and there are too many points controlled by too many actors, particularly by MoFs, civil service ministries and donors (those that maintain non-harmonised budget execution procedures for donor-financed spending). In addition, PEFA indicators do not capture the limited responsibility that is delegated to spending ministries in numerous African countries. Despite these omissions, PEFA PIs are suitable for measuring how well a country is performing in terms of the basics of PFM.

Sixteen preconditions for PPBB implementation can be identified (see Lienert 2012), of which half pertain to getting basic PFM right and half pertain to PPBB-specific actions that may begin prior to the PPBB reform process or, at least, during the process (these ‘co-conditions’ are discussed in section 4 on page 17). If key preconditions are not in place, any existing PFM problems, such as frequent recourse to exceptional budget execution procedures or supplementary budgets, non-transparent reallocations of funds during budget execution or poor government accounting, will continue to occur under a PPBB system.

Sharp divergences in African countries’ readiness to implement a PPBB system

The readiness of African countries for PPBB reform can be assessed by establishing a minimum threshold for ‘getting the basics of PFM right’, based on the scores of PEFA assessments. Quist (2012), for example, examines six African countries and one Nigerian state, and concludes that:

- Mauritius and South Africa substantially meet important prerequisites;
- Botswana and Burkina Faso meet several prerequisites, but their PFM systems still require considerable strengthening; and
- Ghana, Mali and Lagos State need substantial upgrading of their PFM systems (it would be premature to introduce PPBB until progress is made on meeting many of the prerequisites).

On the basis of the criteria set out in Table 3, this type of analysis was extended to the 31 African countries that had published relatively complete PEFA assessments in early 2013 (see Annex 2). The results, discussed below, complement the self-assessments of ‘readiness for PPBB implementation’ made by the 15 countries that completed CABRI’s survey in late-2012, which are also discussed below.

Readiness for PPBB reform can be deduced from Figure 2 which, on the basis of the criteria of Table 3, indicates that:

- Eight African countries were not ready to begin implementation of a PPBB system in the year in which their PEFA assessments were prepared. These countries

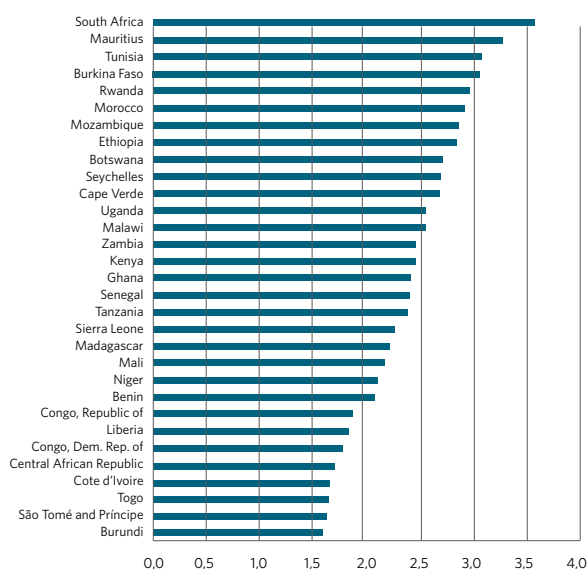
Table 3: Readiness to implement PPBB reforms

Country categories	Average PEFA score	Extent to which PPBB preconditions are met	Readiness for beginning PPBB reforms	Top priorities for budget and PFM reforms
Category 1 Basic PFM system is very weak	D to C	Not fulfilled	Not ready	Ensure annual budget is credible in preparation, execution, accounting, reporting and basic auditing.
Category 2 Still some basic PFM weaknesses, especially in budget execution and government accounting	C to B	Partly fulfilled	Partly ready	Further strengthen annual budget credibility, especially in budget execution, accounting and auditing; enhance responsibility of budget actors, especially in line ministries and in Parliament.
Category 3 Basic PFM functions working satisfactorily	B to A	Largely fulfilled	Ready	Further strengthen accountability and transparency, while introducing PPBB reforms once an MTBF has been prepared.

did not attain an average C score across various dimensions of budget preparation, execution, accounting and oversight by the SAI and Parliament.

- Nineteen African countries were partly ready to begin PPBB reforms (with average PEFA scores between C and B). Several of these countries still had to make a considerable effort to improve basic budgeting, especially at the budget execution and external oversight stages of the budget cycle.
- Four African countries were ready to implement PPBB reforms, as they had a relatively sound budget and PFM system in place in 2012.

Figure 2: Readiness to implement PPBB (average of PEFA scores for four stages of the budget cycle)



Source: Annex 2.

Getting the basics of PFM right in specific areas of the budget cycle

Overall budget credibility. As measured by the extent to which the executed budgets of revenues and spending (total and its composition) are close to the approved annual budget projections (PEFA Pls 1-3), the average score for budget credibility (on the A to D scale) was C+ for 30 African countries with published PEFA reports.¹² However, around this average, there was considerable variance (e.g. South Africa scored As for all three Pls).

As discussed by Tommasi (2013), the discrepancies between budget outturns and budget projections can have their origins in budget preparation (e.g. poor revenue forecasting or underestimation of the cost of some spending activities), unsatisfactory budget execution (e.g. budget execution and procurement regulations not being adhered to) or poor government accounting (e.g. not effecting timely rectifications of the budget during the year). For this reason, the following subsections examine more closely how well the basics are met at each stage of the budget cycle, both for the 31 countries for which near-complete PEFA reports have been published and for the 15 countries that responded to the CABRI PPBB 2012 survey (hereafter, 'the 15 CABRI survey countries').

Budget preparation. For the five PEFA questions dealing with annual budget preparation or MTEFs (Pls 5-6, 10-12), the 31 African countries with published PEFA reports had an average score of C. In the 15 CABRI survey countries, there were perceptions that many of the core basics for budget preparation had been fulfilled. A majority of these 15 countries indicated

¹² Although the analysis is for 31 countries, for these indicators, Côte d'Ivoire is excluded, since the information is missing.

Table 4: Perceptions of meeting preconditions for basic budgeting*

Preconditions	Number of countries	Totally satisfied	Partially satisfied	Not satisfied
1. A comprehensive macro-fiscal framework	14	71%	29%	0%
2. An annual budget that integrates current and capital spending	15	47%	47%	6%
3. Establishment of meaningful expenditure ceilings	13	38%	54%	8%
4. An annual budget preparation calendar	15	73%	27%	0%
5. Well-functioning expenditure controls	15	27%	60%	13%
6. Effective and transparent cash management and banking arrangements	14	43%	50%	7%
7. Effective government accounting and fiscal reporting systems	14	43%	29%	29%
8. An effective SAI	15	47%	40%	13%

* Rounded values

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

that they were totally satisfied with their comprehensive macro-fiscal frameworks and their annual budget preparation calendars (see Table 4). Less than half of the respondents were fully satisfied that their current and capital budgets were integrated, and slightly more than one-third of the countries were fully satisfied with the establishment of meaningful spending ceilings. Binding spending ceilings, both in budget preparation and budget execution, are needed to provide reasonable stability for PPBB spending.

A planning framework at both national and sector levels enables PPBB reforms to be introduced. Strategic plans, particularly sector plans, typically developed at the ministry level, not only guide governments and prioritise programmes, but often provide performance information from which change can be measured, and stakeholders held accountable. In the CABRI survey countries, strategic plans are in place in a number of ministries, and the document is approved by both the executive and the legislature (in seven countries) or by the executive but not the legislature (in six countries); in one country, it is not approved by the executive or the legislature.

All countries in the survey, except for the Central African Republic (CAR) and the Democratic Republic of Congo (DRC), have strategic plans containing performance objectives for each ministry. In some countries, governments have developed plans for only certain ministries (e.g. in health and education in the CAR). However, what is important for PPBB is that there is a relationship between the strategic plans (policy objectives and the performance requirements to meet them) and the structure, and use, of the PPBB framework with which to implement them. Seven survey countries indicated that there was a relationship between the strategic plans and the PPBB structure, and three countries (Benin, Congo-Brazzaville and South Africa) reported complete alignment between the plans and PPBB structure.

Budget execution. The PEFA assessments and the CABRI 2012 survey indicate that the basics of budget execution have not been established satisfactorily. For 31 African countries, PEFA assessments averaged C+ for the seven questions on budget execution (see Annex 2). For the 15 survey countries, expenditure control was the weakest of the basic PFM dimensions: in nearly three-quarters of these countries, budget execution controls were not fully satisfactory. In addition, only a minority of the 15 countries were fully satisfied with the functioning of their cash management systems.

Government accounting and fiscal reporting. In this area, countries are ill-prepared to introduce PPBB. Of the 15 survey countries, 58 per cent were not fully satisfied in this regard. For 31 African countries, PEFA assessments averaged C+ for the questions on accounting, recording and reporting (see Annex 2).

External audit and legislative oversight. Capacity in the external audit office to conduct financial audits of annual accounts is an important precondition for successful implementation of PPBB. Besides reporting on any weaknesses in government accounting, external auditors should identify deficiencies in budget execution procedures. Their annual reports make pertinent recommendations for changes. The ability to prepare performance audits for each spending ministry can be developed once PPBB has been adopted. For 30 African countries,¹³ PEFA

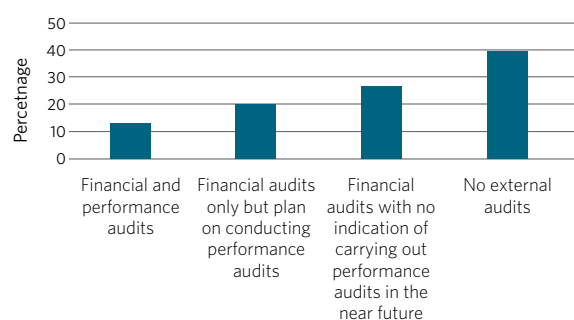
assessments averaged C+ for the two questions on external audit (PI 26), with a very wide variance: francophone countries' court of accounts were particularly weak (except in Gabon), whereas Anglophone countries were relatively strong, with Mauritius, Rwanda, South Africa and Zambia scoring a B+ and the Seychelles and Tanzania a B.

External audits were not being conducted in 40 per cent of the 15 CABRI survey countries (see Figure 3). This indicates considerable weakness in compliance auditing, an important precondition for PPBB. Only a few countries were undertaking, or contemplating, performance audits. This is appropriate: as a precondition, it is first essential to 'master' financial and compliance audits before conducting performance audits.

In recent years, African Parliaments have played a more active role in budget processes. For about 30 African countries, PEFA assessments averaged C for the two questions pertaining to oversight by the legislature, with a C+ for legislative scrutiny of the annual budget (PI 27) and only a D+ for parliamentary scrutiny of the SAI's annual report (PI 28).

These findings suggest that both SAs and Parliaments have a long way to go before becoming effective in their role of oversight of traditional budgets. Francophone countries, in particular, are very weak in these areas. In some Anglophone countries, the adoption of constituency funds, which Members of Parliament (MPs) may spend in their constituencies, outside of strategic and performance plans approved by the government, runs against the objective of managing budgets for results (Van Zyl 2010).

Figure 3: Extent of compliance and performance auditing in 15 African countries



Source: PPBB survey, CABRI, November 2012.

Summary of survey results on 16 PPBB preconditions in 15 countries

The degree to which all 16 pre- and co-conditions listed in Tables 4 and 8¹⁴ were perceived to be satisfied by each country varies significantly. Benin, Mali, Mauritius, Rwanda and South Africa reported being 'totally satisfied' in respect of more than 50 per cent of the preconditions (Table 5). Some countries, including the CAR, DRC, Guinea and Malawi, reported very low levels of satisfaction with implementing the preconditions, which indicates that these countries' budget and PFM reform agendas should focus first on getting the basics right.

¹⁴ Table 8 appears in section 4 on page 17.

¹³ Togo's SAI was not scored in its PEFA assessment.

Table 5: Degree to which PPBB preconditions were satisfied by surveyed countries

Country	Totally satisfied	Partially satisfied	Not satisfied
Benin	11	1	4
Central African Republic*	1	8	5
Chad	3	7	6
Congo – Republic of **	5	1	4
Congo – Democratic Republic of	2	11	3
Guinea	1	9	6
Kenya	7	8	1
Malawi	1	7	8
Mali	12	3	1
Mauritania	8	4	4
Mauritius	9	6	1
Namibia	4	5	7
Rwanda	9	7	0
Sierra Leone***	3	8	4
South Africa	14	1	1

Source: PPBB survey, CABRI, November 2012.

Note: *Responses to two precondition questions were excluded due to double answering. **Six precondition questions were not answered. ***One precondition question was not answered.

Sequencing and time period needed to introduce PPBB reforms in Africa

In introducing any government reform, a strategic ‘road map’ is needed. There is a starting point, a choice of routes, and an end point. For PPBB, the starting point is the existing, traditional budget system. The end point is a ‘performance-based’ budget system. As discussed in section 2, non-African countries have chosen different pathways and varying speeds to move towards the end point. There is also a wide diversity of PPBB systems in non-African countries: from those that have not yet started to those that have experimented a lot, including abandoning some aspects of PPBB that have not worked.¹⁵ For some non-African countries, the end point is changing; the type of performance-based budget system envisaged 20 years ago is not identical to the one envisaged today. Furthermore, the influence of politics is important; following elections, it is not unusual for certain aspects of PPBB to be changed by a new government.¹⁶

Non-African country experience indicates that there is no single ‘best’ PPBB reform trajectory. Nonetheless, there is recognition that some actions should precede others, and that it is impractical to undertake all reforms simultaneously. Hence, there is a need to prioritise. Diamond (2013b) lays out four steps towards introducing PPBB reforms. These are:

- Step 1: establish core PFM functions as the first priority;
- Step 2: strengthen information technology (IT), accounting and the legislative base for PFM;
- Step 3: move from annual to medium-term budget planning; and
- Step 4: introduce programme and performance budgeting.

While there is agreement on the starting point (Step 1) and the end point (Step 4), there are different views on the sequencing of the various actions included in Steps 2 and 3. Some would argue that for African countries with a long tradition of national plans or similar planning documents, a medium-term approach to budgeting should proceed immediately after Step 1, rather than as Step 3. In practice, many African countries have moved in this direction (in part, because of strong encouragement by external development partners). One option in a PFM reform programme would be to amalgamate Steps 2 and 3. Quist (2012), for example, formulates three main sequencing phases – Steps 2 and 3 are combined into a ‘creating an enabling context for introducing PPBB reforms’ category. Indicative time periods for each phase are suggested. The possible cumulative time period needed for moving from the basics of PFM to a fully fledged PPBB system could be as short as five years and as long as 25 years (see Table 6).

The ability to go through these phases is dependent upon various factors, including a country’s political commitment to reform, domestic capacity and resource constraints, as well as development partner pressure to reform and their direct participation in the budget process (through the provision of financing, especially for investment projects). Andrews (2010) finds substantial variation in African countries in the quality of their PFM systems. While all African countries have stronger

¹⁵ For example, the purchaser-provider model (also known as ‘accrual output budgeting’), which was attempted in Australia and New Zealand during the 1990s and early 2000s, has been described as an experiment that failed badly (Robinson 2007, 2011). This model was found to be unsuitable for most public services and is better not applied to whole of government.

¹⁶ For example, the PART scoreboards for assessing performance of federal agencies in the United States, which were introduced by the Bush’s administration during 2001–2008, were discontinued under the administration of President Obama. Similarly, the central French government’s comprehensive spending reviews introduced by President Sarkozy during 2007–11 were discontinued after the election of President Hollande.

Table 6: Possible timetable for implementing PPBB reforms in Africa¹⁷

Phase	Selected specific actions	Time needed (small country)	Time needed (large, centralised country)
1. Strengthening basic PFM systems	Functioning expenditure controls and internal audit; basic accounting capable of generating reliable and timely budget execution reports; cash management without tax or spending arrears; annual financial accounts that are audited	3–5 years	5–10 years
2. Creating an enabling context for implementation of core PPBB functions	Multi-year fiscal framework and sector strategies; computerised expenditure management; single treasury account; effective monitoring and evaluation	3–5 years	5–10 years
3. Introducing the core PPBB functions	New legal/regulatory framework and institutional arrangements; revamped budget execution, accounting, reporting and audit systems, typically on a pilot basis, prior to full PPBB implementation.	5–7 years	7–10 years

Source: Quist (2012, Annex 2).

‘upstream’ budget practices (i.e. those pertaining to budget preparation) than ‘downstream’ PFM dimensions (i.e. budget execution and accounting), the starting points for each African country differ vastly. Those countries in the ‘top league’ of PFM quality obviously would be able to introduce PPBB more quickly than those in the ‘bottom league’.

Nonetheless, there may be specific factors that prevent some countries from adopting PPBB reforms rapidly. For example, Burkina Faso is regarded as a ‘top league’ country in Andrews (2010); however, as described in the country note in Part B of this volume, that country is still finding it a challenge to fully implement the PPBB reforms begun in 1997. It is likely that a specifically francophone legal constraint – notably waiting until 2009 for the issue of a revised WAEMU directive on organic budget laws (OBLs) – played a role. Until the OBL directive was formally approved by the region’s ministers of finance, WAEMU countries were unable to plan on: parliamentary adoption of an annual budget law based primarily on budget programmes; delegation of expenditure management responsibilities to ministers other than the minister of finance; or appointment of senior civil servants as budget programme managers. These and 17 other PPBB-related issues had to await resolution by the WAEMU Commission and decisions by the WAEMU Council of Ministers.¹⁸ In the event, the WAEMU ministers allowed for an ambitious five-

year period to phase in the more difficult parts of the OBL reforms (e.g. programme-based annual budgets and MTEFs, accrual accounting, and annual performance reports by all ministries).

As shown in Table 3, the speed of implementing PPBB reforms depends on how quickly a country addresses its weaknesses in the basics of budgeting and PFM. In this context, several African countries have ambitious PFM reform programmes and are adopting a gradual approach to PPBB implementation. In Chad, for example, some of the basics of budget execution were being addressed in 2011, including: the preparation of a draft annual budget in line with the schedule of the prime minister’s revised order; the streamlining of expenditure processes, including a priori controls by budget expenditure controllers; the start of the implementation of a new accounting system; and the closing of annual accounts on time (as prescribed in a new regulation) (see World Bank 2012).

In several cases, the PFM reform programmes are particularly ambitious and lack a realistic timetable for implementation. Moreover, they are often not well prioritised, with the emphasis on introducing MTEFs and PPBB-related reforms, rather than addressing the basics associated with budget execution, revenue collection, internal control, government accounting and external audit. The DRC’s PFM reform plan, for example, published in 2010, envisaged reforms in all three phases above. ‘Pillar 1’ of the five-pillar reform programme is devoted to budget preparation, including the introduction of MTEFs and PPBB reforms, not only at central government level, but also in each of the DRC’s provinces, despite extremely limited budget management capacity in the provinces. By 2013, the MTEF/PPBB reforms were attracting the most attention, to the detriment of reforming deficient budget execution procedures and very weak government accounting. Although ministers – including provincial ministers of finance – agreed that establishing credibility of the *annual* budget was the top priority, in practice it has been difficult to make progress in addressing fundamental weaknesses in ‘downstream’ budgeting areas.

More generally, in several African countries, there appears to be optimism regarding the speed of implementing far-

¹⁷ The timing is indicative and refers to a centralised government developing country context.

¹⁸ The previous (1997) directive on OBLs – and existing OBLs in the eight WAEMU member countries – were based on a ‘classic’ annual budget presentation (economic classification for each ministry); this resulted in budget programmes being prepared and, at best, presented to Parliament as background documents accompanying the budget. Another restraining influence – unique to francophone Africa – is the specification that the minister of finance is the unique (one and only) Ordonnateur (authoriser of budget spending). Since French colonial times, other ministers have had no authority to execute their budgets: the minister of finance’s approval was required. In practice, in WAEMU (and CEMAC) countries (and Mauritania, etc.), the minister has delegated the Ordonnateur function to the MoF’s budget department, which has approved all spending at the commitment and/or payment order (ordonnancement) stages. This practice undermined the development of responsibility for budget management in spending ministries – the other ministers and senior civil servants in ministries (some of whom would eventually become budget programme managers) were strongly dependent on MoF procedures for budget execution.

Table 7: Mauritius – chronology of PPBB implementation, 2003-2011

Year	Implementation step
2003	<ul style="list-style-type: none"> PPBB and an MTEF were prepared for six ministries on a pilot basis
2006	<ul style="list-style-type: none"> Government decision to implement PPBB; this was part of an overall fiscal reform programme
2007/08	<ul style="list-style-type: none"> A parallel programme-based budget was published, while the annual budget adopted was still on a line-item basis
2008/09	<ul style="list-style-type: none"> Parliament approved budget spending by programmes Changes in the Finance and Audit Act in May 2008 allowed for a programme-based budget with effect from 1 July 2008
2011	<ul style="list-style-type: none"> The framework for strategic planning was made consistent with the programme-based budget framework Ministries/departments requested to prepare strategic plans to improve budget planning activities Finalisation of a new chart of accounts adequate for monitoring spending by programme Modernisation and computerisation of the Treasury accounting system, in line with the PPBB requirements and the new chart of accounts Ministries/departments put in place adequate systems for monitoring and reporting progress on programme budgets and performance targets Issue of a PPBB manual and an investment projects process manual Extensive training conducted for budget, accounting and internal audit staff of all ministries/departments

Source: Ba (2010); PPBB Survey, CABRI, 2012; <http://mof.gov.mu/English/Pages/default.aspx>.

reaching budget reforms such as PPBB. For example, in the CABRI PPBB 2012 survey, six countries (Congo-Brazzaville, Kenya, Mauritius, Rwanda, Sierra Leone and South Africa) indicated that they have introduced, or will introduce, core PPBB functions in one step across government (refer to the OECD experience, discussed in section 2). Four countries (Benin, Chad, Guinea and Namibia) indicated that they have used, or will use, a pilot-based approach. Benin, for instance, piloted PPBB in four ministries and is now applying it to all.

Since commencing implementation in 2004, Chad has piloted PPBB in 14 ministries, while the DRC reported that it has piloted PPBB in five ministries.

Mauritius went quickly through the various phased steps to implement its PPBB system (see Table 7), sequencing the reform within a broader framework of PFM reform. The reasons for the success of its rapid implementation ('big bang') approach include a strong starting position (see Figure 2 above), addressing weaknesses in the PFM system, and strong political ownership.

4. Status of performance and programme-based budgeting in Africa

Initially, this section examines the extent to which selected countries have taken the first steps towards implementing PPBB. It then provides an overview of the status of PPBB in all 54 African countries, based mainly on pertinent questions asked in the Open Budget Index (OBI) survey, to which about 30 African countries responded in 2012. Two specific PPBB issues – programme structure and performance information – are then analysed, using information from CABRI's 2012 PPBB survey.

Extent to which countries have taken first steps towards implementing PPBB

Certain aspects of the introduction of PPBB have a long lead time and should be undertaken as *pre*-conditions. Others are *co*-conditions – actions to be prepared at the outset of, and undertaken *during*, the reform process. The training of government officials in PPBB management is a good example of a co-condition. In the CABRI 2012 PPBB survey, the responding countries indicated that they were most satisfied with 'having a plan for PPBB implementation' and 'ownership

by government', and least satisfied with 'ownership of PPBB by Parliament' and 'capacity for PPBB management in spending ministries' (see Table 8).

Adopting a new organic budget law

Adoption of PPBB requires adjustments to the legal framework governing budgetary processes. In Anglophone African countries, a PPBB system could be implemented *before* revisiting the existing public finance act (PFA). This is due to the fact that, historically, Anglophone African PFAs have been heavily oriented towards budget execution and accounting. As discussed below, in some Anglophone countries the government can change the format of the budget spending estimates from the traditional format to a programme or output/outcome format without parliamentary approval (i.e. without amendment to the PFA).

In contrast, in francophone countries, the adoption of a new public finance law is an essential precondition – it would be inconceivable to introduce budget reforms without first revamping the legal framework, notably the OBL. Reflecting

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

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

* Rounded values

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

their colonial inheritance, these countries attach much importance to first adopting a new legal text. Their prevailing OBLs were modelled on France's 1959 organic budget *ordonnance*, the content of which was heavily oriented towards budget preparation and budget approval by Parliament. By adopting a new OBL, the Parliaments of francophone countries – not their governments – are the final approving authority in the hierarchy of the spending votes of annual budget laws and the classification of spending for fiscal reporting purposes (e.g. by administrative unit, economic nature, function or programme).

For 14 West or Central African countries, WAEMU and CEMAC approved directives on a model OBL in 2009 and 2011, respectively.¹⁹ The directives require the Parliament of each country to adopt an OBL in line with the directives. The model OBL requires the adoption of a PPBB system – with annual budget appropriations by programme, annual and medium-term performance targets and annual performance reports for each ministry (for key PPBB elements, see Annex 3). The WAEMU/CEMAC OBL directives are based largely on France's new OBL, adopted in 2001.²⁰

Other francophone countries are looking at France's 2001 OBL as a model for the eventual change to a PPBB system.

Other francophone countries are looking at France's 2001 OBL as a model for the eventual change to a PPBB system. However, apart from the DRC, which adopted a new public finance law in 2011 requiring PPBB, in late 2012, other francophone countries had not yet adopted a new law requiring PPBB. Tunisia had come close, by modifying its OBL twice to allow for the possibility for PPBB, but not requiring it (see Tunisia case study in Part B of this volume). In late 2012, Morocco was planning to reform its existing OBL (MoF Morocco 2012) and has benefited from exchanges with French experts (FONDAFIP 2010). On the other hand, Burundi adopted a new OBL in 2008 that requires a traditional budget format, not programme-based appropriations (PAGE 2009).

As of end-2012, only a few African countries had actually adopted entirely new PFAs or OBLs to introduce PPBB. In the WAEMU region, only Senegal (by adopting a new OBL in 2011) had met the two-year delay for adopting a new law. In early 2013, no CEMAC country's Parliament had yet adopted a new OBL based on the 2011 CEMAC directive. Once a WAEMU/CEMAC member country has adopted its new OBL, the law's transition provisions allow several years for full implementation of programme-based annual budgets and

MTEFs (five years until 2017 in WAEMU countries and eight years until 2021 in CEMAC countries).

In the Anglophone countries, there is no uniformity in PFAs as to whether programme-based appropriations and/or performance budgeting are required or not by law. This variety is illustrated by the following:

- *New PFAs are adopted to require PPBB.* In Kenya, a new PFM act was adopted in 2012. The law requires that 'the Cabinet Secretary shall ensure that the expenditure appropriations and the budget estimates in an appropriation Bill are presented in a way that (a) is accurate, precise, informative and pertinent to budget issues; and (b) clearly identifies the appropriations by vote and programme'.²¹ In April 2013, the 2013/14 central government budget estimates were presented to Parliament on a programme basis, for the first time ever.²² In 2001, Tanzania adopted a new PFA, which included the requirement that budget spending be appropriated on a programme basis.²³ However, more than a decade later, the annual appropriations laws were still based on the traditional dual-budget spending format (various categories of recurrent and development spending).
- *New laws are adopted, but the basis of appropriations is ambiguous.* In Uganda, the new Budget Act was adopted in 2001. It requires 'the President...to lay before Parliament a three-year macroeconomic plan and *programmes* for economic and social development' (article 3) and 'each minister to prepare and submit to Parliament a Policy Statement on preliminary estimates under article 3' (article 6). The reference here to article 3 implies that spending estimates are to be on a programme basis. This interpretation of the law is reinforced by article 11, in terms of which 'Parliament shall analyse *programmes* and policy issues'. In contrast, in terms of the Public Finance and Accountability Act of 2003, 'the Minister [responsible for finance] shall lay before Parliament estimates of expenditure of the Government for that year allocated between those expenditure votes the Minister may consider appropriate and shall include, for each expenditure vote...a statement of the *classes of outputs*' (article 15).²⁴ In practice, beginning with the 2009/10 budget cycle, the preparation of sector budget framework papers, ministerial policy statements and budget estimates centre around the notion of vote *functions*. A vote function is a set of programmes, projects and local government grants, defining the roles and responsibilities

21 See Article 38 of the PFA (www.parliament.go.ke/plone/statutory-documents/public-finance-management-act-2012-no-18-of-2012/view).

22 For a summary of Kenya's far-reaching PFM reforms, see <http://blog-pfm.imf.org/pfmblog/2013/06/kenyas-bold-course-in-pfm-reform.html>, which indicates that programme-based budgets are to be introduced at county level in 2014/15.

23 Article 5.1(b) of the PFA (available at www.parliament.go.tz/polis/pams/docs/6-2001.pdf) states that the minister of finance is 'to advise the Government on...the appropriate level of resources to be allocated to individual programmes'.

24 The italics used for 'programme' and 'classes of outputs' are those of the author, not the laws. The two laws are downloadable from the website of the Ministry of Finance, Planning and Economic Development, www.finance.go.ug.

19 Koné and Mfombouot (2012) describe how CEMAC's model OBL (and other) directives benefitted from the prior similar experience of the WAEMU Commission in preparing various directives relating to PFM, including one on OBLs.

20 Although similar to France's 2001 OBL, the model OBLs of the directives contain some divergences. In particular, each budget programme will be appropriated under only one ministry; unlike in France, there will be no inter-ministerial programmes. The annual budget appropriations will be ministry to programme, rather than France's mission (outcome) to programme.

of a vote/institution, and contributing towards the attainment of the vote and overall sector objectives. Thus, programmes (which are mentioned in the Budget Act of 2001) are hierarchically placed below functions (which is not a term used in either the 2001 or the 2003 law).²⁵

- Existing PFAs are amended to allow PPBB. Mauritius amended its Finance and Audit (F&A) Act in 2008 to allow for a programme-based budget, with effect from 1 July 2008 (the first day of the then fiscal year).²⁶ Unlike Kenya's and Liberia's PFM acts, which provide a complete legal framework for the various budget cycle stages, the Mauritius' F&A Act is very brief.²⁷ The law does not spell out budget preparation/adoption steps, nor does it specify the format of the draft spending appropriations for parliamentary approval. It is the act's definitions ('Interpretation') section that indicates that 'the annual estimates of expenditure are based on programmes and sub-programmes prepared on a 3-fiscal year rolling basis, specifying the resources to be allocated, the outcomes to be achieved and outputs to be delivered; the estimates for the first year requiring appropriation by the National Assembly'.²⁸
- The 'main' budget law does not prevent PPBB, but other legal means are used to introduce PPBB. In Ethiopia, the Financial Administration Proclamation 648/2009 authorises 'the Minister to establish the format for the...annual budget submissions, which shall at least contain...estimates of recurrent and capital expenditure for that fiscal year' (i.e. the budget presentation is 'traditional'). This proclamation has not been amended to require PPBB. However, since 2011/12, in each annual budget law, it is stated that 'notwithstanding the provisions of Proclamation 648/2009, budget administration shall be made in accordance with the procedures of programme budgets'. To this end, 'the Ministry of Finance and Economic Development (MoFED) may issue directives for the proper implementation of the programme budget'.²⁹ In practice, since 2011/12, a programme-based budget has been used for annual appropriations for all federal ministries. To guide implementation of PPBB, the MoFED

prepared a PPBB manual for ministries, which includes a particularly complex four-tier programme structure: programmes, sub-programmes, outputs and activities.

- PPBB is required not by law, but by government decision or regulation. Some countries' PFAs (in addition to Uganda's, discussed above) are silent as to the format of budget appropriations. When South Africa amended its PFA in 1999, the law did not require programme-based budget appropriations.³⁰ In practice, the government decided that each ministry/agency must prepare programme-based estimates of annual expenditure that are fully consistent with the MTEF. The spending estimates are accompanied by programme objectives, priorities, PIs, and so on.³¹ Similarly, Liberia's new PFM Act, approved by Parliament in 2010, provides the government with flexibility, as follows: 'Expenditures and other payments will be classified by administrative/institutional unit responsible for spending, appropriated at spending agency level, and will be further classified according to economic classification and other classifications as shall be defined in regulations under this Act'.³² Importantly, the act requires that 'both revenues and expenditures are to be structured and classified using the same classifications for both budgeting and accounting'. In practice – in the 2012/13 annual budget appropriations for each ministry/agency – although the budget is presented by an economic classification, annual spending to be approved by Parliament is clearly linked with the 11 sectors of the MTEF. The budget objectives of each ministry/agency are also clearly stated.

Ownership of the PPBB system by Parliament and parliamentary capacity for budget analysis

When the legislature prefers a traditional, line-item budget (i.e. it does not 'own' a PPBB system), it is impossible for Parliament to allocate resources to programmes according to their performance. If Parliament 'owns' a PPBB system, it will receive information from the government on the performance of each budget programme and analyse the government's annual budget by programme. It will also exercise authority over

25 The Budget Law of 2001 and the Public Finance and Accountability Act of 2003 do not elaborate on procedures for adopting appropriation bills. In this context, the 1995 Constitution refers to 'heads of expenditure contained in the estimates', that are included in 'an Appropriation Bill which shall be introduced into Parliament to provide for the issue from the Consolidated Fund of the sums necessary to meet that expenditure' (Article 156). At present, no law elaborates on 'heads of expenditure' (i.e. the unit of each vote in appropriation acts).

26 The fiscal year was subsequently changed to a calendar year basis.

27 Kenya's Public Financial Management Act of 2012 has 210 articles (it is very long partly because it covers counties as well as central government). Liberia's PFM Act has 49 sections, many of which contain two or more 'articles'. In contrast, Mauritius' Finance and Audit Act, as amended in 2013, has 24 numbered articles, many of which pertain to accountability (audit, etc.); moreover, some numbered articles are 'empty', having been removed by previous amendments to the act.

28 The F&A Act is available at www.mof.gov.mu.

29 See, for example, Article 4 of the draft Federal Government Budget Proclamation '2006' at www.mofed.gov.et (Ethiopian year 2006 corresponds to Gregorian year 2013/14).

30 Article 27(3) of the PFA (see www.treasury.gov.za/legislation/pfma/act.pdf) requires the minister to table 'an annual budget...in accordance with a format as may be prescribed, and must at least contain...(b) estimates of current expenditure for that financial year per vote and per main division within the vote...(d) estimates of capital expenditure per vote and per main division within a vote for that financial year and the projected financial implications of that expenditure for future financial years.'

31 In 2004, Cabinet approved a medium-term strategic framework, which strengthened South Africa's PPBB system. To implement this framework, the National Treasury issues various guidance notes for the preparation of ministries' strategic plans, annual performance plans, annual expenditure estimates, etc. Ministries/agencies are required to update their programme-based estimates of annual spending, ensuring that they are fully consistent with revised medium-term projections of programme spending (and the government's overall fiscal strategy). Guidelines, annual budgets, performance plans, etc. are available at www.treasury.gov.za.

32 See section 8, sub-section 2 of the PFM Act of 2010, available at www.mof.gov.lr.

reallocations between budget programmes.³³ The 2012 CABRI survey indicated that two-thirds of the 15 countries were 'not satisfied' with parliamentary ownership of PPBB reforms (see Table 8). However, three countries (South Africa, Rwanda and Mauritius) reported that they use PPBB for the main budget document that Parliament votes on. Eight countries reported that they use the PPBB in parallel with a line-item approach, and four countries use only a line-item budget.

Few African countries have support for budget analysis at Parliament. Benin, Kenya and Uganda are exceptions: they have created offices that assist MPs in budget analysis (see Parliamentary Centre 2010). With 22 staff, Uganda has the largest such parliamentary budget office in Africa. It provides Parliament and its committees with objective, independent and timely analysis of the national budget.³⁴

Ownership of PPBB by the government and 'champions' for reform at the political level

Ministers and senior officials need to be aware of the objectives, advantages and costs of PPBB compared to the traditional budget system, and be convinced that a PPBB system is in the national interest. A strong champion of reforms – especially one at political level – can galvanise the necessary political commitment to the PPBB system. Of the 15 CABRI survey countries, the main initiator of PPBB reform was cited as the minister of finance by 73 per cent of respondents and as a donor agency by 27 per cent. In Mozambique, the initiative to reform appears to be home-grown; although it is driven by the budget directorate and the Ministry of Planning and Development, it responds to a political concern to link

plans and budgets (for further details, see the Mozambique case study in Part B of this volume).

PPBB reforms that were rapidly implemented had a high level of political support. The main example is Mauritius, where the prime minister provided strong support to the minister of finance (Ba 2010). In Mali, a minister of finance and a budget director were the champions of reform in 2008 (Robinson & Last 2009).

However, politicians and 'champions of reform' come and go according to political vicissitudes. As experienced elsewhere, African countries have had spurts of PPBB progress and periods of stagnation in PPBB reform, in part, because of lack of ongoing commitment to the reforms or because of events beyond the control of the government. For example, in the case of Niger, following the training in MTEFs of eight officials in France in 2007, the commissioner for the economy (a senior civil servant) promoted implementation of the MTEF/PPBB reforms as quickly as possible. However, the commissioner did not have the full support of the Cabinet. Moreover, a military coup in 2010 led to the termination of external technical assistance for MTEF/PPBB reforms. As a result, the reforms were put on hold until after the restoration of democracy.

Creation of a budget reform committee (or a reform unit) and adoption of an implementation plan

Successful transition to a PPBB system requires considerable planning, piloting and support. For this to happen, it is useful to create two reform committees: one at the political level (chaired, for instance, by the minister of finance), which makes high-level decisions (e.g. approval of the new programme structure of the annual budget), and one at the technical level, a committee or specialised unit, possibly in the budget directorate of the MoF or under the prime minister's office. The latter committee or unit would be the driving force for the reforms – designing the details of the PPBB strategy, its various implementation steps and technical issues.

33 This authority may be limited, especially in countries where parliamentary budget powers are strongly restrained. For example, full transfer from one programme to another by the government is allowed in Mauritius in the case of budget execution delays; this is subject to ex-post (not ex-ante) approval by Parliament.

34 For its purposes and functions, see <http://www.parliament.go.ug/new/index.php/about-parliament/administration-of-parliament/parliamentary-service/office-of-the-clerk/parliamentary-budget-office>.

Table 9: Organisational unit responsible for PPBB in selected countries

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

Source: PPBB survey, CABRI, November 2012.

Across Africa, the use of budget reform committees/specialised reform units has varied, with countries adopting an approach suited to their institutional structure. In some countries, such as Tunisia, both committees (political and technical) exist, whereas in others, only technical support for PPBB implementation is currently in place. In Burkina Faso, PPBB has been supported by a broadly representative, but technically proficient, technical secretariat that provides training and technical assistance to ministries in preparing experimental programme-based budgets and draft annual programme performance reports. Table 9 provides an indication of the organisational units currently in place in certain countries.

Enhanced budget management responsibilities in ministries, including for human resources management

The introduction of PPBB involves not only the central ministries (of finance, budget, planning, economy and civil service), but also Cabinet ministers and senior staff of spending ministries, all of whom will be accountable before Parliament for the management of their budget programmes. This is very challenging in Africa, where budget and financial management is weaker in spending ministries, departments and agencies than it is at central level (Andrews 2010 shows that the 'de-concentrated' dimensions of PFM are weaker than the 'concentrated' dimensions).

Although a few African countries have nominated budget programme managers, it is rare to view their published names on the MoF's, or Parliament's, website.³⁵ The responsibility of human resources management has barely begun to be delegated. In francophone countries, the PPBB systems being developed have not been accompanied by a review of the role of the ministries of civil service, which would see their personnel policy approval powers diminished should budget programme managers be provided with the autonomy to recruit, fire and remunerate staff.

³⁵ This compares unfavourably with practices in some non-African countries. France, for example, publishes the names of each programme manager (*responsables de programme*). See www.performance-publique.budget.gouv.fr/les-acteurs-de-la-performance/dans-les-ministeres/les-responsables-de-programme-et-les-responsables-de-budgets-operationnels-de-programme.html.

In general, the concept of performance-based personnel management by de-concentrated agencies is rarely encountered in African countries. The possibility of laying off poorly performing staff or of introducing bonuses based on excellent staff performance rather than on seniority, committee participation or other non-performance criteria is largely absent.

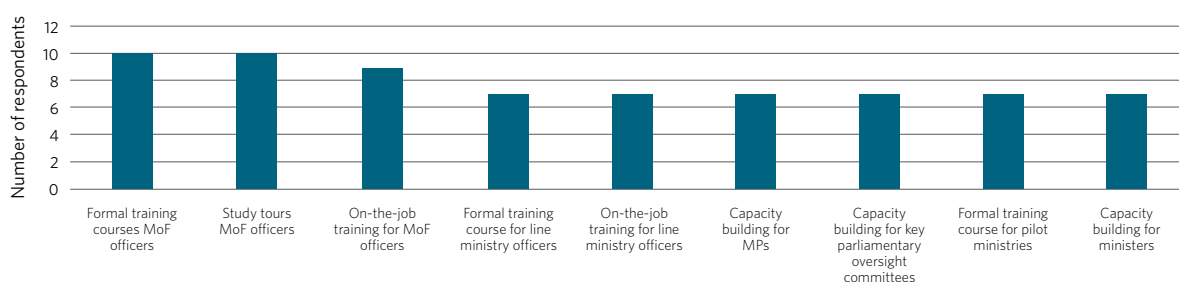
Capacity in the MoF and spending ministries to prepare, monitor and report on a PPBB basis

The introduction of PPBB in spending ministries requires in-house capacity to formulate, manage and report on the performance of the budget, including results. Steps need to be taken to enhance capacity by: specifying budget managers' responsibilities clearly;³⁶ reorganising budget and financial management divisions within spending ministries; training staff to manage both inputs and outputs; improving the skills of personnel to make projections of budget programmes on the basis of accurate costing of inputs; preparing and using bridging tables that show spending by both the new and old budget classification systems; and training all budget actors.

The majority of capacity-building initiatives (formal training, on-the-job training and study tours) have been focused on officials in the MoF, with relatively less support provided to the line ministries and other actors – ministers, MPs and parliamentary oversight committees (see Figure 4). Some countries undertook capacity-building initiatives prior to rolling out PPBB. For instance, Kenyan officials were trained at the Kenya School of Government in 2008/09. In the DRC, technical sessions and validation workshops took place in 2010. However, training in PPBB is an ongoing activity. Attendance at a workshop or participation in a study tour to see how PPBB works in another country are initial steps towards understanding how PPBB can or should work. It is quite another matter to make PPBB work in practice. Additional on-the-job training is needed for this.

³⁶ The new roles and responsibilities could be specified in regulations that supplement the provisions of new OBLs or PFAs.

Figure 4: Capacity-building activities undertaken to strengthen PPBB



Source: PPBB survey, CABRI, November 2012.

Adapting budget classification and computerised government accounting systems

Expenditure classification and government accounting systems are being adapted to facilitate PPBB implementation. For 13 of the 15 CABRI survey countries, seven reported that they had implemented a new chart of accounts (COA) as a preparatory step towards operationalising PPBB. In Benin, the existing COA was retained, but the accounting system was computerised. Both the DRC and Guinea are still in the process of developing a new COA. As a first step, the DRC studied a new budget nomenclature system, which is needed for the new budget programmes that are being developed in pilot ministries.

Budget programmes need to be not only included in the ex-ante budget documents, but also integrated into the government accounting system. To this end, some countries are revamping existing computerised systems or are purchasing new hardware and software, and making it operational. Given that PPBB is a government-wide endeavour, an IFMIS is useful – one where all spending ministries' financial management systems are capable of producing budget execution and accounting data that can be consolidated automatically in the MoF's accounting or treasury departments.

Some countries have made progress in introducing such an IFMIS. In Uganda, for example, an output budgeting tool integrates the software for budget preparation and fiscal reporting. Its functions include: sector budget framework papers; national budget framework papers; ministerial policy statements; national budget estimates; performance contracts; budget performance reports (annual); and spending agency progress reports (quarterly and annual). As in other countries, it has been found challenging to implement IFMISs for PFM and traditional budget management (Diamond & Khemani 2005).

Status of PPBB in Africa

To assess the status of PPBB in Africa, it is first necessary to establish objective criteria for measuring the extent to which programme-based annual budgets, programme-based MTEFs,

and performance information (in annual budgets) have actually been put in place. The highest degree of success is attained when programme-based budgets are appropriated by the legislature, executed, accounted for and evaluated in annual performance reports that describe both financial and non-financial performance outcomes compared with those projected in the ex-ante budget. A fully-fledged PPBB system is regarded here as one in which MTEFs are also on a programme basis and medium-term projections for total expenditure are not ignored when a new budget cycle begins. In addition, a fully fledged PPBB system requires explanations as to why performance targets were not attained, or were surpassed, with the resources actually spent on each programme. These criteria constitute a very high standard for PPBB 'success'. Even countries with advanced PPBB systems may find it difficult to fully meet all of the criteria.

For evaluating the degree to which African countries have implemented their PPBB systems, the criteria for a fully fledged system have been progressively weakened. Accordingly, seven categories have been derived for assessing the extent of PPBB implementation (see Table 10).

On the basis of the International Budget Partnership (IBP) survey, published PEFA reports, MoF websites and other sources of information, all 54 African countries have been categorised using the above criteria (see Annex 4 for further detail). At end-2012, no African country had met the demanding standards for a fully fledged PPBB system. About 19 per cent of African countries had made considerable progress towards PPBB implementation, and some 46 per cent had made some progress or had at least taken some initial steps towards PPBB implementation. About 35 per cent had not yet begun PPBB implementation, although several countries had commitments to begin PPBB reforms in the near future (see Figure 5).

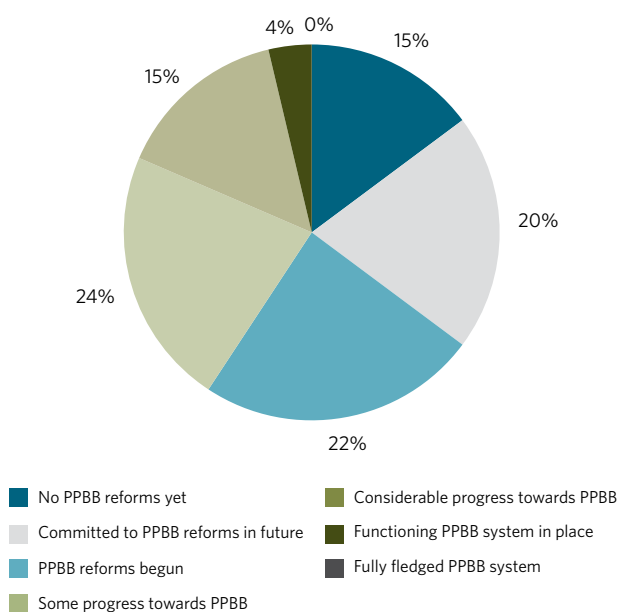
Although PPBB implementation status in Africa varies considerably, in some regions there are common trends. In francophone countries, the form of PPBB being introduced is fairly uniform. This is because the regional bodies (WAEMU and CEMAC) and other countries require the adoption of

Table 10: Categories of PPBB status

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

programme-based annual appropriations and the publication of annual performance reports for each budget programme. This partly reflects the influence of external French-speaking advisors who are particularly familiar with the PPBB reforms adopted in France since 2001. Also, the external training of francophone African (and Maghreb) officials has been nearly exclusively in France. As of end-2012, the francophone countries were more concentrated in the 'soon to begin', 'beginning' or 'some progress' categories than were the Anglophone countries. Some lusophone countries also had made good progress in implementing PPBB (see Table 11).

Figure 5: Status of PPBB reforms in 54 African countries, end-2012



For the countries with a functioning PPBB system in place or those that have made considerable progress, their evolving PPBB systems appear to be structured in a way that is adapted to local constitutional, institutional and organisational arrangements. The CABRI 2012 PPBB survey indicates that Anglophone countries are implementing a form of performance-informed budgeting arrangement: 75 per cent of respondents noted that while performance information is important, it does not necessarily determine the amount of resources allocated.

By comparing the above categorisation with the 31 countries shown in Figure 2 (Readiness to implement PPBB), eight groups of countries can be distinguished – those that are:

- ready or nearly ready for PPBB and have made substantial progress in implementing a PPBB system (Mauritius and South Africa);
- nearly ready for PPBB and have made considerable progress towards implementing a PPBB system (e.g. Ethiopia, Kenya, Malawi, Mozambique and Uganda);
- making considerable progress towards implementing a PPBB system, despite being barely ready (Tanzania) or not ready (Liberia);
- nearly ready for PPBB and have made some or limited progress towards implementing a PPBB system (e.g. Botswana, Burkina Faso, Cape Verde, Morocco, Rwanda and Tunisia);
- barely ready (or not ready) for PPBB, but have nonetheless made some progress towards implementing a PPBB system (e.g. Ghana, Mali, Niger, São Tomé e Príncipe, Senegal and Zambia);
- nearly ready for PPBB, but have barely begun implementation (e.g. Seychelles);
- barely ready or not ready for PPBB, but have begun implementing a PPBB system anyway (e.g. Benin, Burundi, DRC and Sierra Leone); and

Table 11: Status of PPBB reforms in 54 African countries³⁸

No PPBB reforms yet	Committed to PPBB reforms in future	PPBB reforms begun	Some progress towards PPBB implementation	Considerable progress towards PPBB	Functioning PPBB system in place
Djibouti	CAR	Algeria	Angola	Ethiopia	Mauritius
Comoros	Chad	Burundi	Benin	Kenya	South Africa
Eritrea	Congo, Rep. of	Cameroon	Botswana	Liberia	
Libya	Côte d'Ivoire	Cape Verde	Burkina Faso	Malawi	
Somalia	Equatorial Guinea	DRC	Ghana	Mozambique	
Sudan	Gambia	Egypt	Mali	Namibia	
South Sudan	Guinea	Gabon	Mauritania	Tanzania	
Swaziland	Guinea-Bissau	Lesotho	Morocco	Uganda	
	Madagascar	Nigeria	Niger		
	Seychelles	Sierra Leone	Rwanda		
	Togo	Tunisia	São Tomé e Príncipe		
		Zimbabwe	Senegal		
			Zambia		

- barely ready or not ready for PPBB, but committed to implementing a PPBB system in the future (e.g. Central African Republic, Republic of Congo, Côte d'Ivoire, Madagascar and Togo).³⁷

Programme structure and the costing of programmes

Programme structures vary according to whether they will be used for: the annual votes of expenditure (appropriations) by Parliament; expenditure allocation decisions by the government; centralised expenditure control by the MoF; or detailed control and management of programme spending by sector ministries. Programme structures do not depend on whether such programmes are used for annual appropriations by Parliament or for budget management and spending control purposes within the executive.

International standards, notably the Government Finance Statistics (GFS), for budget classification relate to economic and functional classifications of spending. In contrast, there cannot be a standard structure of budget programmes, since programme structures are specific to each country. The classification of a budget into programmes is coherent with local institutional and organisational arrangements and with the relative importance of various spending objectives. Nearly all non-African countries with PPBB systems continue to place administrative units (ministries, departments and agencies) at the top of the hierarchy, with 'programmes' often (but not always) at the second tier.³⁸

The African countries that are implementing PPBB are also predominately using a programme budget structure at the second tier (i.e. the tier below the administrative unit level of ministries, departments and agencies). Within programmes, some countries have sub-programmes and activities. Burkina Faso, for example, has approved a hierarchy that includes missions (outcomes): ministry à mission à programme à action à activity (see the Burkina Faso case study in Part B). This contrasts with the WAEMU OBL directive that recommends the following structure: ministry à programme à (activity) à economic classification (salary, non-salary, investment).

Drawing up programmes is particularly challenging when there is still a dual budgeting system (recurrent versus development budget), which is the case in some African countries. In some cases, 'programmes' exclude development spending, especially the part that is externally financed. In

The majority of the 15 CABRI survey countries make cost estimates based on salaries, overhead costs, goods and services, and capital expenditure.

some countries, 'programmes' exclude centrally managed salary expenditure, which has been allocated to a particularly large 'administrative' programme. On average, half of the countries surveyed by CABRI in 2012 have a limit on the number of programmes within each ministry. These limits range from four in Benin to ten in Congo-Brazzaville and Mali.

Regarding programme costing, the majority of the 15 CABRI survey countries make cost estimates based on salaries, overhead costs, goods and services, and capital expenditure. However, it is rare for overhead costs to be attributed to different programmes within the same ministry. In Rwanda, for example, each programme includes the cost of goods and services and capital expenditure; the cost of salaries and overheads are documented in separate programmes. However, in 2012, the cost structure of programmes was being revised to accommodate all costs.

Performance information and its reporting

There is sometimes a misunderstanding that 'performance budgeting' necessarily means that performance targets must be set for every PI on a year-by-year basis. Some PIs do not lend themselves well to the setting of useful targets (e.g. for the outputs of a ministry of defence or the non-consular services of a ministry of foreign affairs). Performance targets, particularly for outcomes of such services, may best be set only for the medium-term.

In some African countries, there is a particularly strong emphasis on developing PIs for 'programmes'. However, the PIs that are drawn up are often indicators of programme activities and/or inputs of programmes, rather than being output indicators or, better, outcome indicators. As a result, many 'programme budget' documents are full of indicators about numbers of meetings held, numbers of policy consultations organised, numbers of positions filled, and so on. Although a distinction between activity indicators and output indicators was not made in the CABRI 2012 PPBB survey, the 15 responding countries indicated that the performance information that they prepare is related mainly to quantity and quality, and to inputs. Indicators of effectiveness, timeliness and cost-efficiency are less well developed (see Table 12).

Of the 29 African countries that were surveyed by the IBP's OBI survey, on the question concerning whether the executive's budget proposal or any supporting budget documentation contains PIs for expenditure programmes, eight countries (Liberia, Malawi, Mozambique, Namibia, South Africa, Tunisia, Uganda and Zambia) responded positively, with most of these countries indicating a fairly comprehensive coverage of budget

37 'Ready' corresponds to an average B score or better; 'nearly ready' = C+ to B; 'barely ready' = C to C+; 'not ready' = D+ to C (where C+ = 2.5 score, D+ = 1.5 on the 4-point scale).

38 The categorisation of the 54 countries is tentative, as there are several uncertainties. Various caveats to Figure 5 and Table 11 are described in Annex 4. In particular, there may not necessarily be consistency across countries in the responses to the four key questions of the IBP survey. Moreover, the number of PPBB-related questions in the IBP survey is quite limited. For the 25 countries for which there is limited information on PPBB systems, the risk of misclassification is enhanced. Also, within categories, there are differences between countries. For example, in the 5th column ('considerable progress'), it is possible that Ethiopia and Kenya are closer to a 'functioning PPBB system' than the other six countries shown in this column.

spending programmes with PIs (IBP 2012). Concerning ex-post reporting of PIs, only three of the 29 countries indicated that year-end budget reports explain the differences between the original PIs and the actual outcome. The surveys for Namibia and Uganda indicated that this was the case for most programmes; for South Africa, it was for all programmes. In CABRI's 2012 PPBB survey, six of the 15 responding countries (Kenya, Malawi, Mali, Mauritius, Sierra Leone and South Africa) indicated that line ministries provide performance reports on actual outputs against targets, on at least an annual basis.³⁹

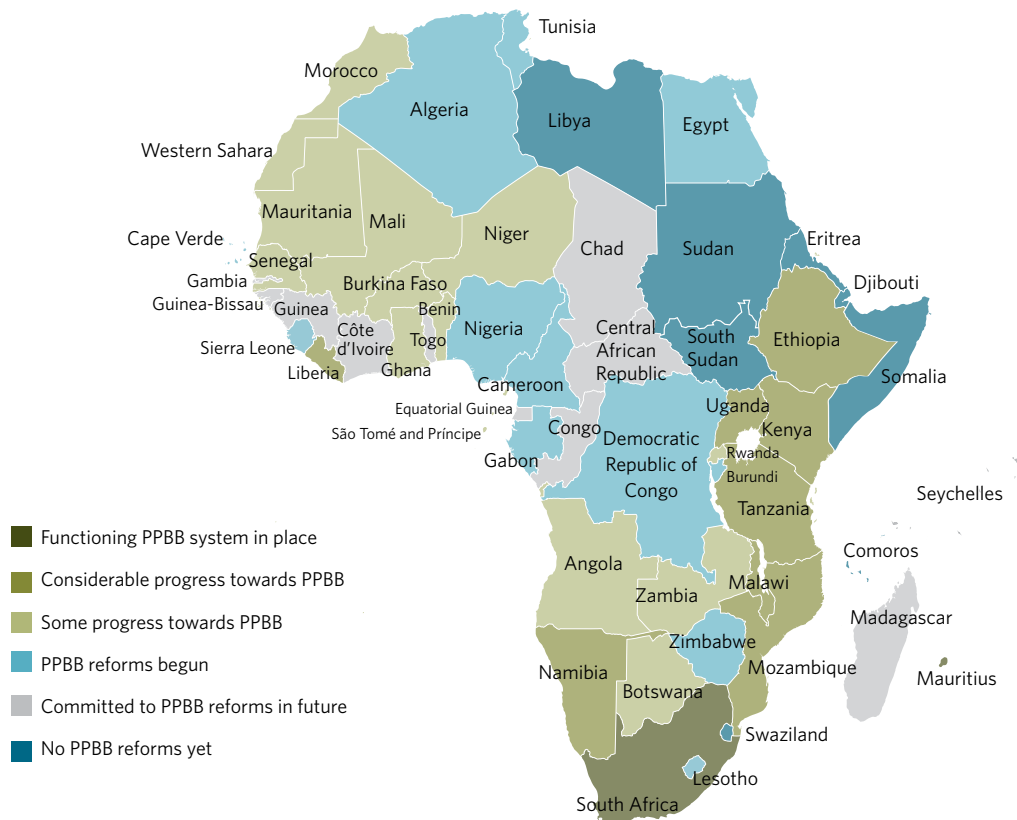
Type of measure/indicator	Percentage of countries
Quantity	92
Quality	83
Input	83
Effectiveness	67
Timeliness	58
Cost-efficiency	42
Gender	42

Source: PPBB survey, CABRI, November 2012.

The plethora of PIs in some countries has not been accompanied by efforts to improve the monitoring and evaluation (M&E) of budget programmes. M&E is perhaps the weakest link in PPBB development and may be an important explanatory factor as to why the expected benefits of PPBB are not accruing. Aware of this shortcoming, some relatively advanced PPBB countries (e.g. Ethiopia and Kenya) are considering doing more in the area of M&E.

Performance information can be used effectively when there is a one-to-one relationship between programme structure and organisational structure. Six of the 15 CABRI survey responding countries (Kenya, Malawi, Mali, Mauritius, Sierra Leone and South Africa) indicated that they align programmes to organisational structure by means of cost-centres/delivery units. Such alignment makes it easier to hold managers of delivery units accountable for programme performance. In contrast, Chad reported no relationship between programme structure and organisational structure; managers of delivery units, therefore, cannot be held accountable for programme performance. In 2012, Rwanda indicated that it was revisiting the budget programme structure so as to link it to its organisational structure.

Figure 6: PPBB reform progress in Africa, end-2012



³⁹ CABRI's 2012 survey responding countries included five (the Central African Republic, Republic of Congo, Guinea, Mauritania and Mauritius) that are not included in the 29 OBI survey of African countries.

5. The impact of implementing PPBB in Africa

The CABRI 2012 survey asked various questions relating to the impact of a performance-oriented approach on annual budget processes, reporting and accountability. Results for the 15 responding countries are considered below.

PPBB impact on budget formulation

Survey results suggest that the most successful gains since the introduction of PPBB are that the budget office is more concerned with broader resource allocation decisions than with micro-management of spending ministries, and that line ministries have more flexibility in determining their programme budgets. In addition, half of the survey respondents noted that improvements in the quality and evidence base of budget bids from line ministries were 'successful' or 'very successful' (see Table 13).

For instance, in Mauritius, since the implementation of PPBB, the Budget Strategy and Management Directorate has noticed an improvement in the quality of budget submissions from most line ministries (see Ba 2010). 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. Rwanda also notes that PPBB has resulted in an enhanced focus on results, a stronger feedback loop into policy-making, more efficient policy-making and prioritisation, and a strengthened link between planning and budgeting leading to more efficient budget allocations (Government of Rwanda 2012).

PPBB impact on budget reporting and accountability

Success in reporting performance, and ultimately in improving service delivery and accountability for budget performance, has been limited. About half of survey respondents indicated success in measuring and reporting performance (outputs and outcomes) to the MoF on a regular basis (see Table 14). Reporting on expenditure by programmes has proven difficult in countries in which the necessary adjustment of the COA has not taken place. This is due, in part, to the fact that implementation is still in the very early stages in a number of countries (e.g. the DRC and Kenya).

In Mozambique, the introduction of PPBB has generated debate in Parliament and in the media, especially about the

five-year plan and about the links between the plan and the budget. In this sense, it has been successful in stimulating discussion about the results of government spending. However, as used in Mozambique, the notion of a programme is a planning concept rather than a genuine budget classification. In particular, it cannot be mapped onto a set of budgetary appropriations, which can be tracked through the execution process and into final accounts. As such, appropriate reporting for the purposes required was still limited at end-2012. Budgets are neither appropriated nor executed according to programmes, and the accounting framework does not permit reporting against programmes on an ex-post basis. In Mozambique, a programme is also not a managerial concept, in which there are identifiable project co-ordinators who are held responsible for the results of their programmes. In practice, the way the concept of programmes is used is somewhat akin to the use of functional classifications in other countries – that is, as an analytical category, as opposed to a mechanism of budget allocation or managerial control. When PPBB is used only during the budget formulation process and cannot be reported against, even as an analytical category, its value is somewhat limited.

While there has been some success in fostering a performance orientation in line ministries, there is still some way to go to institutionalise it across government. In Ghana and Mauritius, officials noted increased ownership by ministries, departments and agencies of their budgets, and improved capacity to plan and budget more strategically. In Tunisia, in contrast, the initial experiences have concentrated on the drafting of documents (MTEFs, priority action programmes, project completion reports), and there has been very limited impact on managerial issues and the integration of performance aspects into budget operations. Success has been uneven across government, with notable progress in the Ministry of Agriculture and Water Resources and the Ministry of Higher Education and Scientific Research, but with limited

40 The CABRI survey results (responses by budget reform units) were not cross-verified by independent observers. This may explain the seemingly high degrees of 'success'. In particular, the 25 per cent rate of 'not successful' for the last four areas (rows) in Table 13 may be underestimated. For example, it has often been found that PPBB systems have been delinked from better resource allocation (5th row) or that service delivery objectives have improved as a result of PPBB (6th row).

Table 13: Perceptions of PPBB successes – budget formulation⁴⁰

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

Source: PPBB survey, CABRI, November 2012.

Note: *There were 11 responses for this 'success'.

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

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

Source: PPBB survey, CABRI, November 2012.

progress in other pilot ministries (health, education, and vocational training and employment).

Steps are underway to improve ownership and accountability by key stakeholders in a number of countries. In Burkina Faso, for instance, the government has adopted a participatory approach to implementing PPBB, involving all ministries and institutions, civil society, donors and Parliament, with special emphasis on communication and awareness of stakeholders at all levels (see the Burkina Faso case study in Part B).

Findings on the impact of PPBB from selected case studies

There are only a few case studies of PPBB implementation in African countries.⁴¹ Fölscher (2012) provides an overview of the impact of PPBB in six countries – Burkina Faso, Ghana, Mali, Mauritius, Morocco and Mozambique. Mauritius stands out as the only country where considerable progress was made on PPBB implementation in a short time period.⁴² Although there is still room for improvement, particularly with

regard to using performance information, the positive impact of PPBB in Mauritius includes:

- A more collaborative relationship between the MoF and line ministries. Whereas the MoF had previously prepared budgets, its role was transformed to one of analysis, assessment and co-ordination.
- Greater budget ownership by line ministries. Budget submissions have improved, supporting a shift in budget hearings to a discussion of priorities and services.
- Budgets are now more transparent. Cabinet and Parliament have better information on the objectives and achievements of spending. Although there appears to have been an improvement in budget processes, it is unclear whether there has also been an improvement in budget outcomes. Thus, to the extent that only budget processes (rather than results) have improved, the full benefits of PPBB have not yet been reaped.

⁴¹ It is for this reason that CABRI reviewed PPBB implementation in the four countries discussed in Part B of this volume.

⁴² See Fölscher (2012) and CABRI (2010).

For Morocco, the following positive impacts were noted:

- the quality of the budget negotiations between the finance ministry and spending agencies has improved;
- moves were made to use a programmatic structure and performance information in budget formulation;
- incentives for better performance have been created;
- capacity and skills are improving, and a knowledge base on what works is developing across government; and
- the approach of rolling out the performance aspect faster than the MTEF is ensuring a focus on improving service delivery, as a result of which there have been cases of service delivery improvements.

Although in most of the abovementioned six countries there has been considerable activity, this has not been reflected in significant changes to the operational budget framework and budget outcomes. In Burkina Faso, notional PPBBs have been developed but these are not used in reaching decisions on budget allocations. The impact of PPBB in Ghana appears to have been limited, due to weak political commitment and leadership regarding the budget reforms, and a pervasive non-performance culture (see Betley, Bird & Gharthey 2012). In Mali, poor integration of the programme budget with the

budget appropriations, an MTEF that is not aligned with the annual budget and PIs, continuing concentration of budget authority in the MoF, and weak monitoring, evaluation and external auditing of the budget, explain the low impact there of PPBB reforms. In Mozambique, although a programme structure was developed, it is poorly connected to the priorities identified in national strategies. Planning and budgeting responsibilities are fragmented and poorly co-ordinated between two central ministries.

In the OBI survey covering 25 African countries in 2012,⁴³ most countries indicated that the government's draft budget or supporting budget documentation explained how the proposed budget was linked to the government's stated policy goals for expenditure. However, in only three of these countries did the year-end report explain the differences between the original PIs and the actual outcomes.⁴⁴ These results support the finding that the main impact of the introduction of PPBB in Africa has been in improving budget preparation. To date, the impact of PPBB on budget outcomes has been very limited.

Given the relatively low impact of PPBB reforms on actual budget practices – and the difficulties in identifying and quantifying the impact of the reforms on budget outcomes – a follow-up survey and/or further case studies would be beneficial.

43 The categorisation of 29 countries in section 4 includes four African countries that were surveyed in earlier OBI surveys (2008 and 2010), but not included in the 2012 survey.

44 See questions 48 and 84 of IBP (2012).

6. Main challenges in implementing PPBB in Africa

There are significant challenges in implementing PPBB in Africa. The 2012 CABRI survey revealed that the most important challenges during implementation of PPBB relate to: unclear programme objectives; inadequate leadership; the role that performance information should play in budget decision-making; technical issues (defining appropriate PIs, costing programmes and reclassifying expenditures to a programme basis); and limited capacity (especially in respect of trained officials) to implement PPBB.⁴⁵ Some of these challenges are common to non-African countries, which also struggle to limit performance information to what is useful for budget allocation decisions or improving spending efficiency and effectiveness. The discussion below also discusses additional important challenges: holding budget managers to account; technological challenges; legal challenges; and ownership of the PPBB reforms by Parliament and the involvement of civil society in budgeting.

Challenges in PPBB design and leadership

African countries are facing challenges in formulating clear objectives (outcomes) and/or developing pertinent performance information for use in budget allocation decisions. On the basis of the final two columns of Tables 15 and 16, these challenges relate particularly to: unclear policy and programme objectives (54 per cent of survey respondents);

performance measures that do not provide information on efficiency and or cost-effectiveness of outputs (50 per cent of respondents); and performance information that is not relevant for budgetary decision-making (33 per cent of respondents). In future budget surveys or case studies on PPBB, it would be useful to investigate further how performance information is used within ministries for internal planning purposes and in annual budget discussions/negotiations between spending ministries and the MoF.

In Burkina Faso, while the technical aspects related to the domestication of the WAEMU PFM harmonisation directives seem to be in place, the speed at which the documents are being adopted at political level appears to be negatively affecting the sequencing of budget and PFM activities. As in other WAEMU countries, there is a risk that the community-wide deadline of 2017 for adoption of programme-based budgets, and publication of annual performance reports on each budget programme, will not be met. Also, changes arising from elections appear to create capacity constraints among parliamentarians for the budget reforms. In Mozambique, a lack of consultation within and outside the civil service was noted in the survey as having an impact on the buy-in to PPBB reforms.

These examples illustrate the importance of political economy factors, as these affect the pace of and commitment to budget reforms (DFID 2007). In both Africa and outside the continent, the demand for greater accountability is a key driver of change. This demand emerges from both formal institutions

Table 15: Challenges of PPBB design and leadership

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

Source: PPBB survey, CABRI, November 2012.

⁴⁵ This summary assessment is based on the aggregate of 'significant' and 'very significant' challenges in Tables 15 and 16 – when these two columns exceed 50 per cent.

(notably Parliaments and SAs) and informal actors (civil society, media and citizens). The CABRI 2012 survey did not delve into wider political economy questions that impact on PPBB reforms in Africa, such as the critical political dynamic between formal and informal institutions. This is an area for further research.

Similarly, the extent to which various African countries' political leaders are adopting PPBB reforms under pressure from donor agencies has not been fully investigated. In the CABRI survey, Benin, Guinea, Kenya and Malawi reported that, in addition to the MoF, multilateral financial institutions were promoting PPBB reforms in their country.

Challenges in using performance information

All 15 CABRI survey countries found that defining and using performance measures was an important challenge (see Table 16). Using PIs to provide information on the cost-effectiveness of budget programmes was particularly challenging. As in non-African countries, 'gaming' – setting easily achieved performance targets in the hope of obtaining higher budget allocations in the following year – was also found to be a challenge for MoFs.

Information overload is a challenge in several African countries (and elsewhere). This results partly from the misunderstanding that budget-linked performance targets are a mandatory element of a performance budget system, whereas they are an optional supplement. The extent of use of performance targets is a matter for an explicit decision, for which a good rule of thumb is that the central budget office should not set more performance targets than it can meaningfully monitor and manage. Although a few countries have limited the number of performance targets in their PPBB systems, in many African countries the drive to establish performance targets is resulting in an excessive number of PIs and performance targets, of which only some are relevant and useful.

Capacity challenges in applying PPBB

During PPBB implementation, the most significant challenge for countries was reported to be insufficient training for all officials and lack of the necessary resources – time, staff and funds. Almost two-thirds of the surveyed countries noted that they had insufficient capacity to implement PPBB (see Table 17). These issues were particularly significant in Chad, Congo-Brazzaville and the Central African Republic. Burkina Faso noted a shortage of skilled staff in IT and specialist professions such as statistics as an impediment to successfully implementing PPBB.

Countries also experienced significant challenges in how to complete and use the prescribed formats, and in weak or non-existent methodologies for costing programmes (over 40 per cent). A major technical challenge for some countries was difficulty in mapping a programmatic structure from the line item budget to a programme budget.

Several countries have created a programme structure for the budget which exists alongside the line item budgets and organisational structure. The three elements are not connected seamlessly in the annual budget, nor in national development plans. Countries such as Uganda and Mozambique also have had difficulties in creating linkages between sector strategies, recurrent budgets and investment budgets. Ghana has had difficulties in allocating the compensation of employees to programmes and sub-programmes, as salaries are centrally managed.

Organisational challenges

PPBB is often part of an overall PFM reform process, which, in turn, is part of reforms of the public administration and civil service. Success is more likely when all reforms are integrated and sequenced in a coherent manner. This may induce changes in the structure of government ministries and agencies to align their functions more closely with the objectives of new budget programmes. The alternative is not to change organisational

Table 16: Challenges in the role and use of performance information

Challenges during implementation – role and use of performance information	Not a challenge	Not a significant challenge	Somewhat of a challenge	Significant challenge	Very significant challenge
Difficulty in defining appropriate and relevant performance measures	0%	9%	36%	36%	18%
Unclear what role, if any, performance information presented in the budget has played in budget decisions	0%	33%	42%	0%	25%
Line ministries continue to deliberately chose performance targets in ways that bias results (e.g. setting low performance targets that are easily achieved)	33%	17%	25%	0%	25%
Performance information provided not relevant for budgetary decision-making	8%	17%	42%	8%	25%
Performance measures do not provide information on efficiency or cost-effectiveness of outputs	8%	0%	42%	8%	42%
Information overload – too much information is presented, and not always clear which are best for decision-making	18%	18%	45%	0%	18%
PPBB procedures too bureaucratic/lengthy/complicated	9%	45%	18%	9%	18%

Source: PPBB survey, CABRI, November 2012

Table 17: Country perceptions of the significance of capacity challenges during implementation

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

Source: PPBB survey, CABRI, November 2012.

structures and attempt to graft budget programmes into the existing structures of ministries. A balance between the two approaches is needed. In the CABRI 2012 survey, several countries reported difficulties in aligning programmes to organisational structure: more than half of the respondents noted this to be a significant or very significant challenge.

Since the implementation of programme-based budgeting may result in the rationalisation of administrative structures and possibly the disappearance of certain structures or functions that become redundant, there may be resistance to PPBB reforms. In Burkina Faso, some senior officials (directors general and project managers) were reluctant to engage in the PPBB reform process for fear of losing their benefits, or even their jobs. In Tunisia, institutional resistance against change made it difficult to successfully implement the reforms. Given that changes in public sector organisations need to be handled carefully, it is prudent to develop a change-management function.

Challenges in instilling a performance culture and holding budget programme managers to account

Fostering a culture of performance was a significant or very significant challenge in over half of the countries surveyed. Such a culture is needed to facilitate a change in the role of the central ministries (finance, planning, etc.) which, under PPBB, need to relax some centralised control in exchange for greater accountability of budget managers in spending ministries.

In many African countries, decision-making and management are highly focused at presidential or ministerial level. Often, senior civil servants are not delegated the authority to manage their own budgets, nor are they held accountable for budget execution. This is especially the case in spending ministries, where budget management skills are not well developed. This lack of skills is acute in countries where the locus of operational budget authority is the MoF. In francophone countries, this may be a powerful budget department that controls spending at the commitment and

payment order stages. In Anglophone countries, the accountant general plays an important role in making actual payments (when the payments function is centralised) or managing bank accounts (when the payments function is decentralised). In some African countries, the accounting function is centralised in MoFs, and spending ministries may not be able to monitor actual payments month by month.

The identification and appointment of senior civil servants responsible for the management of budget programmes and performance has proven to be problematic. This partly represents underdevelopment of the concept of individual responsibility. Virtually no African country has publicly named the senior civil servants who are appointed to manage budget programmes. Non-African countries with PPBB systems regularly publish the responses of budget programme managers to questioning by parliamentary committees that examine draft budgets or budget outcome reports. In some African countries (e.g. Burkina Faso), the institutional instability of ministerial departments, due to the frequent merger or separation of ministries, has made it difficult to introduce stability in budget programme management, since budget programme structures may be altered following changes in internal organisational arrangements.

Technological challenges

A number of African countries reported that their FMISs were inadequate to manage the move towards a PPBB system. More than 50 per cent of surveyed countries reported this to be either a significant or very significant challenge. In Burkina Faso, the computer applications for budget execution were designed for line-item or resource-based budgets and have not been redeveloped or replaced with software that is designed for programme-based budgets. In Tunisia, the disparate IT systems were not integrated, and data could not be shared across core budget and PFM functions (see the Tunisia case study in Part B).

For PPBB, one major challenge is learning how to integrate

non-financial and financial information. Only the latter is recorded directly in FMISs. Some countries record non-financial information (PIs, etc.) manually in a separate Excel file, and introduce an interface with the FMIS. For example, in 2013, Mauritius was experimenting with new software, and Kenya was considering how to meet this challenge.

In general, IT systems need to evolve as the technical aspects of the PPBB approach are mastered. However, long lead times are needed for large-scale computer projects such as IFMISs. In Africa, there has been a mixed record in implementing such IT systems, in part, because IT specialists have assumed a crucial role in IFMIS management, without adequate feedback from the users of the new computerised systems. Technology should be used not as the driver for implementing reforms but only as a facilitator.

Legal challenges

In many francophone countries, in early 2013, there was the challenge of adopting a new OBL to replace the existing legal and regulatory budget framework. A major constraint to implementing programme-based budgeting in many WAEMU countries and all CEMAC countries was the absence of a revised OBL, which helps explain why a line-item approach was still being used to prepare, approve and implement the annual budget law. In Mozambique, revisions to the legal and regulatory frameworks have also lagged behind the budget reforms, slowing implementation. In Uganda, while the financial management legislation was significantly modernised in 2003, introducing a number of new concepts, including the requirement to report on an output basis, it is not well understood and the government was reviewing it in 2012. In Tunisia, although minor amendments were made to the OBL, the legal and regulatory framework needed further revision to facilitate the PPBB reform programme. The existing law and regulations were dominated by an approach focusing on correct procedure and conformity, rather than elaborating on the managerial responsibility that is integral to PPBB.

Challenges in involving Parliament and civil society groups in PPBB reforms

Parliament and civil society need to play an effective role in budget management (Krafchik 2001) and PPBB reforms. This is not a simple planning challenge: the nature, structure and dynamics of civil society and its relationship to political parties, Parliament and the public sector is complex. Each country needs to develop specific ways to involve Parliament and civil society in PPBB reforms. Parliamentary pressure can increase budget accountability and transparency, which is especially needed in countries with powerful presidencies.

Although African countries' parliamentary powers are increasing, it is from a low base: in many countries, Parliaments are still weak and dominated by the ruling parties. In such situations, there is little incentive to scrutinise and challenge budgets proposed by the government. In Ghana, Kenya, Rwanda, Ethiopia and South Africa, for example, MPs

Oversight of budget performance by the legislature is enhanced when there is an active post-budget examination of external audit reports.

belonging to the ruling party tend to see their legislative careers as a stepping stone into the executive branch. Such MPs are disinclined to take positions independent of the government on critical budget policy issues. In countries such as Zambia and Malawi, some parliamentarians change parties during the period of the Parliament, thus making the legislature's budget processes less predictable.

Parliamentary debate on the budget is enhanced when a parliamentary committee is empowered to recommend amendments to the legislature (Krafchik & Wehner 2001). However, most African Parliaments have strong limitations on their budget amendment authority. Francophone countries generally have such limitations embodied in the constitution or their OBL. Some Anglophone countries' Parliaments are only authorised to decrease the spending proposed by the government (in Kenya, Parliament may increase spending, but corresponding decreases elsewhere are required). Although a vote of no confidence in the government could, in theory, be triggered over a budget issue, in practice, this has never happened. In such situations, there is a disincentive for informed parliamentary debate on the budget and its performance.

Strong parliamentary committees are critical to effective parliamentary engagement in the budget process. They help hold the government to account for its budget performance. However, in African countries, parliamentary committees dedicated to the budget either do not exist or are weak. In some cases, parliamentary committees are empowered to make only broad recommendations to the floor of the house. Nonetheless, some Parliaments have made limited use of committee powers, although these have had little impact on the budget process.⁴⁶

Oversight of budget performance by the legislature is enhanced when there is an active post-budget examination of external audit reports. However, in some African countries (e.g. Republic of Congo, Liberia and Tunisia), the SAI's reports are never made public.⁴⁷ In Anglophone countries, the public accounts committees of legislatures are tasked with reviewing the SAI's annual report on how government monies were expended. However, the auditor-general's annual reports are often late in reaching the legislature, in some cases, by up to two years. As a result, they are not seriously considered by parliamentary committees. In francophone countries, an independent court of accounts (*cour des comptes*) is charged with examining draft budget execution laws and conducting

46 See Parliamentary Centre (2010), which studied parliamentary involvement in budget processes in Benin, Ghana, Kenya, Senegal, Tanzania, Uganda and Zambia.

47 See CABRI (2008, Table 18), which summarises the results of the Budget Practices Survey conducted in 2007.

In some countries, civil society involvement in budget processes is by virtue of a sympathetic government.

post-budget audits.⁴⁸ In the future, the court of accounts will be required to provide an opinion on the annual performance reports to be prepared by ministries and attached to draft budget execution laws.⁴⁹ As of early 2013, many courts of accounts in francophone countries were not performing compliance audits adequately. Prior to conducting performance audits (required by WAEMU/CEMAC directives), it is first necessary to substantially strengthen existing SAs to conduct compliance audits of annual accounts.

Most Parliaments in Africa lack the capacity for independent budget analysis. Very few African countries have created a parliamentary budget office to assist MPs in scrutinising the draft budget before its adoption and to examine budget outcomes after year-end. Such support will be needed to enable Parliament to scrutinise annual performance reports that, in the future, will explain differences between ministries' *ex-ante* and *ex-post* budget programmes and results.

In some countries, civil society involvement in budget processes is by virtue of a sympathetic government.⁵⁰ However, pressures from civil society to improve national or local budget management and accountability are increasing. In Malawi, for example, pre-budget consultations with civil society and business groups have been carried out since 2007, with one day or half-day meetings held in all major cities. The consultations take place at the invitation of the government.⁵¹

Other countries have key civil society groups that facilitate these consultations and/or monitor and report on them. In Kenya, the Institute for Economic Affairs plays such a role; in Uganda, it is the Uganda Debt Network, which is represented on the MoF budget consultation committees; and in Zambia it is the Jesuit Centre for Theological Reflection, a local social justice think tank (see Heimans 2002). In Burkina Faso, at the initiative of the government, civil society and the media have been formally involved in budget consultations, particularly since the introduction of a PPBB (see Burkina Faso case study in Part B). In The Gambia, community budget consultations were held in 2012.⁵² However, in all of these countries, there is no legislative imperative to undertake participatory budget processes. When such requirements are legislated, fiscal transparency improves (De Renzio 2013). South Africa's 1999 Public Finance Act, for example, requires budget consultations across all levels of government and budget information to be published in accessible formats, including a citizen's budget, and throughout the budget cycle. Partly as a result of this legal requirement, South Africa's fiscal transparency is not only the highest of all African countries, it is also above most non-African countries.⁵³

48 WAEMU and CEMAC are encouraging the creation of an independent *Cours des comptes* to replace the *Chambre des comptes* in member countries where such a chamber is part of the judicial arm of government and under the Supreme Court.

49 In their directives on OBLs, WAEMU and CEMAC are requiring each member country to adopt an OBL with such a requirement. See, for example, Article 75 of Directive N°06/2009/CM/UEMOA.

50 See Foster et al. (2002), who report that this was the case for Ghana, Malawi, Uganda, Mozambique and Tanzania.

51 Information provided by World Bank Malawi Office.

52 See 'Gambia: Pro-PAG holds validation workshop on pre-budget consultations'. Foroyaa, 27 September 2012. Available at: <http://allafrica.com/stories/201210040763.html>.

53 In the 2012 OBI index, South Africa was placed second of all 100 countries surveyed by the Open Budget Initiative. See also the annual OBI reports for 2010 and 2012, available at: <http://internationalbudget.org>.

7. The way forward for PPBB reforms in Africa

Drawing on the experiences so far of PPBB implementation in Africa, it is clear that many challenges remain. For public sector and budget reforms in Africa, it has been suggested that the path forward should be problem driven, iterative in its approach and carried out over many years, and should involve many agents working together on a common reform programme (see Pritchett, Andrews & Woolcock 2012). Under such an approach, there is continuous feedback of lessons learnt, realism concerning the time and resources required for sustainable PPBB reforms, and active participation by political and civil service actors so as to ensure that the reforms are viable and relevant. A one-size-fits-all approach needs to be avoided.

On the basis of this broad framework for the future of PPBB reforms, this section discusses key priorities for taking PPBB reforms further, as well as presenting policy guidelines for various stakeholders. An overarching objective is to ensure that future budget reforms are country-owned and sequenced in a way that takes account of limited resources and capacity.

Key priorities for PPBB reforms in Africa

Once the basics and preconditions of a sound PFM system are in place, the key priorities for performance-related budget reforms are:

- fostering country ownership in the government and Parliament;
- designing and following a clear and coherent implementation strategy;
- enhancing capacity to implement PPBB and wider public sector reforms;
- enhancing responsibility, including by appointing budget programme managers;
- aligning the planning and budgeting processes;
- utilising appropriate performance information for budget programmes;
- modifying government accounting and financial information systems; and
- considering budget programme evaluations on a regular basis.

Ensuring preconditions are in place

Ensuring the necessary pre-conditions are in place is a key criterion for the successful introduction of PPBB in Africa. Without strong foundations, the ability of PPBB to improve budget formulation and execution is limited.

A timetable for completing essential preconditions prior to rolling out the PPBB reform programme needs to be established. The sequencing of the prerequisites, co-requisites and PPBB reforms must be adapted to country circumstances (see page 38), particularly the political economy, institutional power and functions structure. Policy-makers should resist the temptation to replace whole systems without considerable analysis, and should avoid 'cutting and pasting' from another country. Rather, key lessons should be learnt from other countries, and local systems should be adapted to local circumstances.

Policy-makers seeking to implement PPBB need to foster local ownership of the budget reform process.

Fostering country ownership in the government and Parliament

Policy-makers seeking to implement PPBB need to foster local ownership of the budget reform process. The reform must be led by national leaders at the political and bureaucratic levels, who understand and support the reform effort. In Uganda, the enthusiasm of technical personnel combined with the support of senior management and political leaders was found to be critical. However, momentum for continuing the budget reforms may decline if the benefits of PPBB do not become clearly visible. The extent of buy-in by stakeholders will depend on their level of involvement in managing the change. Good communication and ensuring that all stakeholders are aware of the benefits of the reform can contribute to obtaining support for and commitment to the reform process.

Parliamentary buy-in is particularly important. MPs need a good understanding of the objectives, limitations and institutional implications of PPBB. Support by political party leaders helps to entrench the reform process. In Burkina Faso, for example, while the budget reform process was started by

the executive, results were seen only after 2007, when Parliament issued a recommendation that PPBB should be implemented as soon as possible. Without buy-in by the political leadership, no reform programme can be sustained. In Tunisia, training seminars and PPBB awareness days were organised for MPs.

Designing and implementing a clear and coherent 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 specific activities for PPBB implementation, time frames for achieving these, and responsible units and officials. The complexity of budget reforms needs to be recognised, with the implementation plan taking a long-term approach (often or more years). Sequencing the introduction of the reforms is typically a lengthy process, although it depends partly on political willingness to move ahead. In Tunisia, for example, it may have been preferable to have started by first adopting a law requiring the reforms, with provisions for the new legal framework to come into effect after a period of five to ten years. Such a time period allows for a gradual transition to the new system and minimises the risk of failure. Reform entry points should be identified according to government priorities, and should be owned by the national leadership. Moreover, it is essential to carry out regular reviews – at least annually – of the strategy and action plans in order to correct for any inconsistencies that may have appeared while the reforms were being put in place. Errors are acceptable in such large-scale reforms, but it is not acceptable to ignore them. In Uganda, a comparatively simple database system has facilitated the review process and has enabled regular reporting.

Errors are acceptable in such large-scale reforms, but it is not acceptable to ignore them.

Enhancing capacity to implement PPBB and wider public sector reforms

Since lack of capacity is a major challenge for implementing PPBB in many African countries, it is important that capacity-building initiatives – and the funding for capacity-building – are incorporated into the implementation plan. The introduction of PPBB is a long-term participatory process in which all stakeholders are involved. In recognition of the long time period needed to address the institutional and technical challenges associated with PPBB, there is merit in establishing a dedicated co-ordination unit for the PPBB reforms. This structure need not be overly complex, although it should be designed to incorporate both policy and programmatic functions in a practical way that involves major institutional stakeholders. The Burkina Faso experience illustrates the need to include competent staff from the civil service ministry in the team responsible for piloting PFM reforms.

Leadership by the MoF is essential but not sufficient. The

MoF must reach out to other key bureaucratic actors to facilitate alignment with and capacity for the reform programme. Reaching out to spending ministries and enhancing PPBB implementation capacity is particularly important for PPBB reforms.

Capacity-building for the reforms must also include the legislature and, preferably, political parties. The government can play its part by improving the clarity of draft annual budgets, medium-term fiscal objectives, and the readability of explanatory budget documents submitted to Parliament. A research unit in Parliament could assist MPs with budget policy analysis and help them understand performance more fully. Such understanding is currently lacking in many African countries. In Mauritius, for example, in 2010, the National Assembly was not making full use of performance information (Ba 2010).

Similarly, a strengthening of external oversight bodies, particularly parliamentary committees and the SAI, is needed for enhancing accountability and transparency. Tailored capacity-building initiatives are required here too. Finally, building civil society communication and access to information strategies into the reform process is important for enhancing understanding of PPBB reform within the broader society.

A strengthening of external oversight bodies, particularly parliamentary committees and the SAI, is needed for enhancing accountability and transparency.

Enhancing responsibility, including by appointing budget programme managers

For accountability, PPBB design should have clear links between the strategic plan, the organisational unit and the programme structure. Individual ministers should be responsible for managing the budget programmes under their authority and for ensuring that top civil servants (permanent secretaries, director-generals, etc.) are accountable to their ministers. Responsibility should not be left vague: formal regulations or contracts should specify each actor's role. In francophone countries, for example, the roles of individual ministers as *ordonnateurs* (holders of budget authority), of secretary-generals of ministries and of directors of budget departments and financial affairs departments must be clear. More generally, all countries need to assign responsibilities to budget programme managers. Such assignments have been problematic in a number of African countries, including even Mauritius. In Mozambique, the decentralisation of the authority to commit expenditure to budget programme managers had not been resolved in 2012, when discussions were ongoing about the place of programme managers in a new organisational and management hierarchy. In thinking through future reforms, PPBB reforms must address organisational and human resources management issues, as well as the technical aspects of performance-oriented budgeting.

Aligning the planning and budgeting processes

To use PPBB as a management tool for linking plans and performance targets to budgets, each line ministry should have a strategic plan containing performance information. This plan should be used as the basis for developing a programme structure and for informing resource allocations in annual budget programmes. In Burkina Faso, results-based budgeting required the prior establishment of a number of tools, the most important of which were a national planning document (the 'Sustainable Growth and Development Strategy'), an MTEF and very good sectoral strategies.

It is important to obtain agreement on terminology, concepts and formats as early as possible (preferably during the piloting phase). In Mozambique, the notion of programme budgeting was interpreted in different ways by different stakeholders. This situation created unnecessary confusion and limited progress in successfully implementing PPBB reform. Ensuring that there is a common understanding amongst stakeholders on planning and budgeting roles and performance-related concepts not only makes the reform process easier, but fosters a sense of ownership.

Using appropriate performance information and aligning it with budgets

To reap the benefits of PPBB, outcomes, outputs and PIs and targets should be specific, measureable, achievable and relevant. To the extent possible, PIs should be applied consistently across ministries and should be understood clearly by all stakeholders. However, performance information is only useful if it is supported by strong management processes and systems, and a performance culture within the civil service.

Programme managers should seek to link the performance information to budget allocations, including, where appropriate, expenditure areas that could possibly move to direct performance budgeting. For this to be successful, budget analysts must be able to access the additional performance information, and analyse budgets in relation to expected performance. Budget analysts should be situated within line ministries, whereas central agencies should assess and challenge whether ministry budgets reflect government policy priorities, whether programmes are efficiently costed relative to intended performance, and whether the projected performance is achievable. In African countries, such considerations constitute longer-term objectives.

Modifying accounting and information systems

The ability to record and account for spending according to programmes is vital. Without this, the benefits of PPBB cannot be realised. For this to occur, changes are needed in the COA and the existing FMIS, so that they can handle the additional 'programme budget' classification. In Mauritius, implementation of a new COA and upgrading of the FMIS enabled budget programmes to be executed and accounted for. However, as discussed above, several African countries are finding it challenging to adapt their FMISs, even before PPBB implementation.

A sequenced approach is needed here, as the modification of the accounting system and FMIS to make them capable of recording spending by programme and associated performance information are major tasks. A preliminary and easy step is to change the COA. Modifying the FMIS is a bigger and more complex task, which usually requires a multi-pronged approach over a number of years. While a new FMIS is being designed, tested and implemented, it may be necessary to modify the existing IT systems to computerise spending at different stages of the new budget programmes. Whatever approach is adopted, extensive training is required in new accounting procedures and related changes to IT systems.

Considering evaluations of budget programmes

Mechanisms are required to monitor and evaluate programme performance from both a financial and a non-financial perspective. Utilising a cadre of budget analysts, regular reporting should take place to inform decision-makers on the performance of programmes. The MoF should decide on the frequency and timing of reports, taking into account the information systems available. Reports should integrate financial and non-financial performance information, and systems should be developed for in-year monitoring and end-of-year evaluation by line ministries and the MoF. Successful implementation of an evaluation function requires significant commitment by all stakeholders. A starting point is for ministries to prepare in-year reports on actual expenditure compared with budgeted spending for that period or for the same period in the previous year. The year-end analysis could be more complete, examining how actual spending contributed to the attainment of performance targets.

Some non-African countries conduct periodic in-depth spending reviews (Robinson 2013), aimed at improving spending efficiency and/or reducing total expenditure. In contrast, in Africa, there is a dearth of evaluations. In some countries (e.g. Kenya), institutional fragmentation results in planning ministries carrying out evaluations (usually limited to projects) and/or public expenditure reviews without informing the MoF. In such cases, the 'evaluations' do not influence budget preparation processes. In time, African countries could consider building spending reviews into their budget review processes.

Policy directions for enhancing PPBB implementation

Effective implementation of PPBB is dependent on close collaboration between budget actors, including those in the political executive, the civil service, the legislature, the SAI, donors and civil society. Each stakeholder plays a distinct role in the budget reform process. In the light of this, tailored policy directions are summarised in Table 18.

Table 18: Policy directions for stakeholders

Stakeholder		Role	Policy directions
Legislature and SAI	Parliament	Responsible for oversight of government budget management and examining, debating and approving budget-related laws	Develop a good understanding amongst MPs of Parliament's role in annual budget (law) approval and annual review of budget outcomes
	Parliamentary committees and offices		Build awareness of the PPBB reform agenda, especially in parliamentary committees
			Nurture and guide MPs to link annual budgets to objectives and results
			Consider devoting resources to assist Parliament in budget analysis
	External audit institution	Responsible for oversight of PFM and public accounts	Strengthen the SAI in conducting audits of annual budgets and oversight of financial management by government
Executive	Central government political authorities (presidency, prime minister, finance minister, Cabinet and their advisors). MoF and related central ministries/ agencies (responsible for planning, budgeting, financial management, civil service, etc.)	Developing and implementing policy Drafting new laws and regulations Specific responsibility for: <ul style="list-style-type: none">developing budget policies and processespreparing realistic fiscal projections and spending ceilingsallocating funds between sectorsoverseeing budget executionpreparing consolidated government accounts and fiscal reportsoverseeing the performance management systemdrafting annual performance reports for the MoFensuring transparency and accountability in budget management and PFM	Ensure strong foundations are in place prior to rolling out reforms
			Develop a coherent implementation strategy (10+ years) to identify what needs to be done and in what sequence
			Adapt plan to the country's context.
			Review all steps in the reform process before committing to it
			Review reform progress and adjust where necessary.
			Obtain agreement on standard terminology, concepts and formats of PPBB
			Ensure appropriate capacity-building initiatives are designed and included in the implementation plan
			Ensure that there are clear links between organisational units and programme structure
			Link PPBB reforms to public administration reforms
			Modify the COA and existing FMISs
			Decentralise budget management authority to commit expenditure to budget programme managers
			Integrate the planning and budgeting processes and provide clear guidance to line ministries
			Build awareness of the PPBB reform agenda through strong leadership and a clear communication strategy
			Develop a cadre of budget analysts within central agencies to assess line ministries' budgets – whether programmes are efficiently costed and whether the projected performance is achievable
	Develop systems and processes to monitor and evaluate programme performance		
	Clearly communicate the purpose, benefits and progress of PPBB reform to stakeholders		
	Foster a culture of performance within the public sector: clear accountabilities for budget performance, pertinent PIs and effective tracking of performance		
	Line ministries	Responsible for: <ul style="list-style-type: none">developing sector strategies and planssetting out clear policy objectives in budget programmesexamining ways to improve efficiency and effectiveness of spendingreporting on resource use and performance	Ensure a strategic plan is developed and used as the basis for developing a programme structure
			Develop a sector plan for budget spending and integrate sectoral planning and budgeting processes, under MoF (planning) guidance.
			Develop a cadre of budget analysts to prepare draft budget submissions, cost budget programmes, establish PIs, and monitor budget execution and performance
Ensure that timely reporting of financial and non-financial information is provided to relevant central agencies			
			In particular, prepare annual performance reports
Donors	Responsible for providing financial (budget) and technical assistance for improving PFM and pursuing budget reforms	Support countries with weak PFM systems to meet preconditions for PPBB	
		Support the development of a strategy and appropriate sequence for PPBB reforms	
		Support capacity-building initiatives for central ministries, government, Parliament and the SAI	
Civil society	Responsible for monitoring and reporting on the budget work of the government	Build awareness of the PPBB reform agenda	
		Monitor and advocate for budget reform	

Sequencing PPBB reforms

Some countries that have already been implementing PPBB for over a decade are still striving to overcome various challenges that are preventing the establishment of an operational PPBB system (i.e. one that meets the criteria of a 'functioning PPBB system' as described in detail in Annex 4). For example, Burkina Faso, Mali and Ghana all began MTEF/PPBB reforms in the late 1990s, yet 10–15 years later, they are still in the 'made some progress' category for PPBB implementation (see Table 11). Malawi, too, has a long history of PPBB reform without yet having a functioning PPBB system in place. It is instructive to learn from such countries regarding the key factors that have prevented the reforms from advancing as quickly as originally anticipated. Country-specific and generic factors causing slow progress can provide valuable insights for other countries that have not yet travelled so far down the same PPBB reform road. The lessons from such examples can help an individual country in establishing a realistic PPBB sequencing plan.

This report stresses the importance of getting basic PFM functions in place prior to embarking on complex PPBB reforms. As discussed in section 3 on page 10, establishing budget control, financial compliance and aggregate fiscal discipline should precede efforts to improve spending efficiency and resource allocation. The implementation of complex PPBB reforms should be the final undertaking.

In many African countries, the above 'agenda' for PPBB reforms may represent at least ten years' work, especially for those where the emphasis should first be on meeting the basics of good budget management and PFM. As illustrated in Figure 2, eight countries (out of 31) scored less than a C average in PEFA assessments, and many countries scored between C and B. Countries that have made good progress in PPBB reforms, such as Mauritius and South Africa, scored better than a B (on average) in their PEFA assessments. These two countries, which also have a strong governance framework, clearly had a head start for PPBB implementation compared with countries with ongoing weaknesses in their PFM systems and governance.

These observations suggest a differentiated strategy, especially regarding the sequencing of PPBB implementation, for different countries, as follows:

In many African countries, the above 'agenda' for PPBB reforms may represent at least ten years' work

- For countries whose basic PFM systems are still very weak, the top priority should be to improve annual budget credibility, particularly at the budget execution, accounting, reporting and external oversight stages. The introduction of PPBB reforms should either be put on hold or be introduced extremely slowly (e.g. by formulating sector strategies in a few key sectors or ministries).
- For countries whose PFM systems have some ongoing weaknesses and where budget management capacity and accountability is low, the top priorities should be to: address the remaining PFM weakness; enhance budget management skills; hold budget managers to account before parliamentary committees for 'traditional budget' execution; and make external audits more effective. PPBB reforms could follow slowly, once PFM is satisfactory, and when accountability and fiscal transparency have improved.
- For countries whose PFM systems are broadly satisfactory, PPBB reforms could proceed at a moderate pace.

The pace of PPBB reform needs to be adapted to the degree of political ownership of the reforms. PPBB is not merely a technical reform. Progress also depends on: whether there are domestic 'champions' for PPBB reform, especially in the MoF and at ministerial level; a coherent implementation strategy with a realistic timeframe; adequately trained officials in all ministries who understand PPBB; and Cabinet ministers and senior officials who are used to being responsible and accountable in public (notably before parliamentary committees) and are capable of implementing PPBB. An additional consideration is whether there is technical support, via adapted FMISs, for ensuring that budget, financial and performance information is readily available and reliable.

8. Conclusion

PPBB is a major component of broad public financial reform agendas in many African countries. In a few countries, ownership of the reforms is home-grown. In many, the influence of donors and other extra-national factors to adopt PPBB reforms has been significant, although this may be decreasing as African governments perceive that PPBB represents 'good international practice' and seek to introduce PPBB reforms on their own initiative. Nonetheless, regional African organisations and/or donors are requiring or encouraging countries to adopt PPBB reforms. At times, this is irrespective of a country's readiness.

The vast majority of the 54 African countries in this study have begun, or soon will begin, PPBB-type reforms. So far, success has been rather limited. No country has yet established a fully functioning PPBB system as described in Annex 4. Two countries (Mauritius and South Africa) have functioning PPBB systems and a further eight countries have made considerable progress towards a fully operational PPBB system.

Many African countries have made limited progress towards establishing a budget system in which budget performance is reported by ministries *after* the end of the fiscal year, with explanations as to why budget outcomes and performance were above or below performance expectations. Some countries, nonetheless, have established budget programmes and PIs, which are presented to Parliament in annual budget documents. In other countries, the documents remain unpublished. A sizeable group of countries has begun PPBB-type systems by formulating sector MTEFs and a few PIs. However, quite often these are not linked to annual budget appropriations and are not necessarily part of annual budget documents. At end-2012, 11 African countries had made public commitments to introduce PPBB in the near future. Only eight African countries – mostly post-conflict or small – had not made a commitment to introduce PPBB reforms.

The introduction of PPBB reforms has resulted in improvements in budget preparation and documentation. In some African countries, the budget office of the MoF is now more concerned with broader resource allocation decisions than with micro-management of spending ministries, and line ministries have more flexibility in determining their programme budgets. A CABRI-initiated survey noted improvements in the quality of budget bids from line ministries, in spending

programme objectives and in performance measurement. However, it has been difficult to attain success in using performance information to inform the size of spending allocations for line ministries and in getting the line ministries to take performance seriously. Some countries with over a decade of experience (e.g. Burkina Faso, Ghana and Mali) are still struggling to link ministries' budget programmes and performance information with annual budget appropriations. More generally, while broad budget – and sectoral – strategies have been prepared and often are part of the ex-ante budget documentation, the impact of PPBB on actual budget outcomes has been limited.

The introduction of PPBB reforms has resulted in improvements in budget preparation and documentation.

In the countries that have been relatively successful in introducing PPBB, the preconditions for PPBB had largely been met. In particular, their basic PFM systems were functioning relatively well prior to beginning the PPBB reforms and there was adequate political support for the reforms. In these countries, PPBB implementation was conceptualised strategically and the sequencing of implementation took into account long-term development goals, with some links being established between planning, MTBFs, annual budgets and performance.

Most countries face significant political, organisational, technical and legal challenges in adopting a results-oriented approach to budgeting. The dominant challenges are: lack of political ownership; approaching PPBB as a technical exercise without due consideration for wider public sector reform; low implementation capacity (in terms of knowledge, staff and funding), in part, because ministers and officials in ministries outside the MoF have never been delegated authority for budget management (this is especially the case in francophone Africa); unreadiness for the enhanced accountability of budget programme managers; poor accounting and IT systems; low internal and external audit capacity; and outstanding legal and regulatory challenges.

Further efforts to implement PPBB reforms must take

account of these challenges at the planning stage. In this context, it is important to establish a realistic implementation time frame and to learn from the experiences of those countries that are still struggling to demonstrate results, rather than focusing exclusively on the few PPBB success stories in Africa. Given the disappointing experiences with PPBB in some African countries, the time period for many countries may be in terms of decades, instead of years. This is especially so in countries where PFM systems are weak and where annual budgets are not credible (i.e. where there are large divergences between ex-ante revenue and expenditure estimates and actual outturns, especially for sector or individual programme spending).

To overcome the multiple challenges, further PPBB reforms need to be embedded in each country's specific political and institutional context. Political leadership and ownership are essential. Any strategy directed towards facilitating sustainable changes in the budget system must integrate the reforms at the political level, make institutional changes to enhance the individual responsibilities of budget managers, and improve the country's managerial and technical capacities.

**To overcome the multiple challenges,
further PPBB reforms need to be embedded
in each country's specific political and
institutional context.**

In adopting PPBB reforms in Africa, it should be recalled that, in some non-African countries with nearly 50 years of experience in implementing PPBB-type reforms, there are few cases where PPBB works exceptionally well. In many non-African countries, PPBB systems are still being adapted; some countries are moving away from attempts to establish strong links between budget allocations and PIs or targets. Experience outside Africa has shown that, for most government expenditures, the links between budget allocations and performance are unclear. For example, the extent to which education performance improves, if at all, when education budget spending increases by, say, 10 per cent is unknown. For these reasons, some non-African countries no longer talk of 'programme budgeting' or 'performance budgeting'; instead, they emphasise performance management, while not disowning the enhanced transparency and accountability arrangements that PPBB-type reforms have brought. Also, benchmarking of performance in specific sectors is emphasised.

This report makes broad policy recommendations for taking forward the PPBB reform agenda in Africa. These include making realistic assessments of the political support for reform, assessing a country's readiness to put in place the basics of PFM, as well as addressing the constitutional and legal constraints, and the lack of resources and capacity to introduce the reforms. Accountability institutions, particularly Parliament and the SAI, need to be strengthened in order to provide for effective oversight and greater accountability of

the budget actors implementing the reforms.

Since the performance of African countries' basic budget and PFM systems is very diverse, there is no 'one-size-fits-all' approach to introducing or consolidating PPBB reforms. A differentiated approach is needed. In countries with very weak PFM systems, the PPBB implementation agenda should be accorded very low priority, or even be halted, until basic PFM systems have improved visibly. At the other extreme, countries that have well-functioning budget and PFM systems could envisage a fast-track approach to PPBB reforms. In reality, most African countries fall between these two extremes, although basic PFM systems are generally weaker than on other continents.

Since there are persisting weaknesses in PFM, especially in budget execution and government accounting, the emphasis given to PPBB reforms may have to be reduced in some countries. In countries that began PPBB reforms prematurely, the top priority should be to address fundamental PFM weaknesses. In other countries, PPBB reforms and further efforts to address weaknesses in PFM could proceed simultaneously.

While the success of PPBB implementation depends partly on the strength of existing PFM systems, this is not the only factor. The challenge in Africa is to integrate both PPBB and PFM reforms with wider public sector reforms, including poverty reduction, improving social conditions, civil service reforms and political (regional) decentralisation, all of which are being introduced in many African countries simultaneously. Each country's political authorities must decide on the relative weight of each component of the wider public sector agenda, which, in turn, must fit in with wider political concerns, such as improving governance and internal security, or reducing corruption.

Further research into PPBB reforms is needed on at least three fronts. First, the number of country case studies of experience with PPBB needs to be boosted beyond the four new cases discussed in Part B of this volume. Second, there is a need to ascertain the extent to which disappointing PPBB reform progress in some countries is due to overcharged public sector reform programmes – trying to take on too many reforms in too many areas of public management. Third, more work needs to be done, and action taken 'on the ground', on the priorities for budget and PFM reform, with PPBB reforms appropriately sequenced and linked to a country's capacity.

ANNEX 1:

Survey of PPBB implementation in Africa

In late 2012, CABRI conducted a survey of PPBB practices in African countries. The survey questions were linked to a core analytical framework as outlined below.

The survey questionnaire was distributed to 42 African countries. The following 15 countries responded with completed questionnaires: Benin, Botswana, Central African Republic, Chad, Congo-Brazzaville, Democratic Republic of Congo, Guinea, Kenya, Malawi, Mali, Mauritania, Mauritius, Namibia, Rwanda, Sierra Leone, South Africa and Seychelles. There is good regional representation across the survey respondents, with the exception of North Africa. Eight countries are francophone and seven are Anglophone (Rwanda is considered Anglophone). There were no responses from lusophone or Arabic-speaking countries. However, two of the in-depth case studies (Tunisia and Mozambique) that

complement this report are located in these regions.

It is possible that the survey responses are biased by self-selection, thereby limiting the applicability of conclusions to the continent as a whole. With only a 36 per cent response rate, it is possible that countries that performed well in budget reform, or were confident of their reform plans, responded to the survey, whereas countries that were not confident of PPBB reform plans chose not to respond. Self-selection bias is compounded by the survey respondents being the national budget offices in the countries surveyed – the organisational units responsible for budget reforms. Where possible, the survey responses were compared with the literature. If contradictions were indicated, the literature findings on budget reform in specific countries were given greater credence.

Key questions guiding the core research framework	
What is PPBB?	<ul style="list-style-type: none"> How is PPBB designed (e.g. department/unit responsible, structure and definition of programme, PPBB framework)? Is the MTEF linked to the PPBB system? What is the relationship between planning and budgeting? What is the relationship between performance information and budgeting?
What are the current PPBB practices in Africa?	<ul style="list-style-type: none"> What was the origin of the demand for implementing PPBB? Which preconditions were met before implementation? What was the sequence (steps taken) of introducing PPBB? What capacity-building activities were undertaken for PPBB implementation? What measures/indicators form part of the measurement systems? What is the role of civil society, Parliament and line ministries in the implementation of the reform?
What are the main challenges in implementing PPBB reform?	<ul style="list-style-type: none"> What are the main capacity constraints in implementing PPBB? What are the main legal constraints in implementing PPBB? What are the main planning constraints in implementing PPBB? What are the main institutional constraints (change management) in implementing PPBB? Has ownership (political buy-in and fiscal sovereignty) been a challenge in implementing PPBB? If so, for whom? How were these challenges/obstacles overcome?
What has been the impact of introducing PPBB in Africa?	<ul style="list-style-type: none"> What have been the positive effects of introducing PPBB on budget formulation, execution and reporting? Were these effects intended or unintended? What have been the negative effects of introducing PPBB on budget formulation, execution and reporting? What have been the institutional effects?

ANNEX 2:

Establishing readiness for PPBB reforms by using PEFA indicators

This annex describes the method used to prepare average scores of PFM performance at different stages of the budget cycle. From published PEFA assessments for 31 countries, the scores for (1) budget preparation, (2) budget execution, (3) accounting/reporting, and (4) oversight (external audit and legislature) were arrived at by calculating unweighted averages of selected dimensions of PEFA indicators, as outlined in the adjacent table.

The four average scores for annual budget cycle stages were averaged in turn to obtain an overall score of core budget cycle indicators.⁵⁵ The conversion of alphabetical scoring to numeric is the same as used by other researchers (e.g. Tommasi 2013), namely: A=4, B=3, C=2, D=1.

In early 2013, 35 African countries had published at least one PEFA assessment. These were relatively complete, except for Gabon, Guinea-Bissau, Lesotho and São Tomé e Príncipe, which were excluded because of too many missing values. Also, for the Republic of Congo, Liberia and Togo, there were various missing values, especially for 'legislative oversight' (Parliaments were not functioning when the PEFA assessments were conducted). These countries were retained in the 31-country sample, although averages exclude missing values.

54 PEFA PI-4 relates to expenditure arrears, which have multiple origins – in budget preparation, budget execution or government accounting. However, the existence of expenditure arrears in Africa often originates in either non-respect of budget execution procedures (including those for procurement) or ineffective cash management (failure to monitor and project cash flows closely and/or adjust the budget when there are revenue shortfalls or expenditure over-runs).

55 Using an unweighted average of the four sub-indices, rather than taking an average weighted by each of the 49 dimensions.

PEFA indicators used for calculating average scores of budget cycle stages			
	All dimensions	Some dimensions	Number of dimensions
<i>1. Budget preparation</i>			10
Budget classification	PI-5		
Budget comprehensiveness	PI-6		
Public access to budget information	PI-10		
Budget calendar	PI-11		
Medium-term budget framework	PI-12		
<i>2. Budget execution</i>			19
Payment arrears ⁵⁵		PI-4(i)	
Cash planning	PI-16		
Cash balance consolidation		PI-17(ii)	
Payroll spending controls	PI-18		
Procurement	PI-19		
Non-salary spending controls	PI-20		
Internal audit	PI-21		
<i>3. Accounting, recording, reporting</i>			10
Arrears reporting		PI-4(ii)	
Debt reporting		PI-17(i)	
Accounts reconciliations	PI-22		
In-year fiscal reporting	PI-24		
Annual financial statements	PI-25		
<i>4. External audit and legislative oversight</i>			10
External audit	PI-26		
Legislature's annual budget scrutiny	PI-27		
Legislature's scrutiny of audit	PI-28		

ANNEX 3:

Legal requirements for PPBB in WAEMU/CEMAC countries

The following are extracts from the WAEMU's Directive N°06/2009/CM/UEMOA for Organic Budget Laws in member states. CEMAC's Directive 01/08-UEAC-190-CM-17 (available on CEMAC website, <http://www.cemac.int>) on OBLs is similar.

Annual appropriations. Annual budget laws divide appropriations between ministries and constitutional institutions. For ministries, appropriations are based on programmes, in which spending is then classified as salaries, goods and services, investment and transfers. Salary spending in each ministry is accompanied by employment ceilings (which are also approved by Parliament) (Art. 12).

Non-programme appropriations. Some specific spending cannot be directly associated with public policy objectives or performance criteria (e.g. allocations for constitutional bodies, for unforeseen contingencies, for debt servicing, for call-ups of guarantees). Non-programme appropriations provide global allocations for such purposes (Art. 14).

What are programme budgets? A programme is an action or a group of coherent actions of a clearly defined public policy set in a medium-term perspective. Associated with programmes are precise objectives formulated in terms of outcomes and expected results, which are measured by Pls. Results are evaluated regularly in an annual performance report for each ministry and constitutional body (Art. 12).

Programme managers are nominated by the minister of each ministry. Programme managers specify programme objectives, allocate and control approved spending, and verify results (Art. 13).

Budget presentation. Spending in annual budgets is presented by four classifications: administrative, programme, functional and economic, following a (standardised) budget nomenclature (Art. 16).

Medium-term expenditure frameworks. Budget programmes are projected for a minimum of three years; the projections include indicative spending and expected results for each programme. The programme-based MTEFs are included in the overall multi-year budget strategy (*programmation*) document (Art. 53).

Documents accompanying annual budget law. The draft budget law is accompanied by a report on economic and macro-fiscal

(financial) balances, actual and projected results, and a medium-term budget strategy. Explanatory annexes include: a draft annual performance report for each budget programme that presents each action and project, their associated costs, objectives to attain, results achieved and expected (measured by Pls); the justification of changes in appropriations compared with the previous year; the cash flow implications of new spending commitments; projections of staffing; cross-walk tables of spending by administrative, functional and economic classifications; and a summary table of budget programmes for each ministry (Art. 46).

Consistency with fiscal rules. Budget balances are consistent with the WAEMU's pact for convergence, stability, growth and solidarity (Art. 54) – the pact includes a balanced budget rule and a maximum debt rule, and gross debt must be less than 70 per cent of GDP (see WAEMU Transparency Directive No. 01/2009/CM/UEMOA, 27 March 2009).

Budget spending control. Financial controllers, under MoF authority, exercise *ex-ante* control of spending commitments and payment ordering (*ordonnancement*) by other ministers/ministries. These MoF controllers may express opinions on the quality of financial and programme performance management in ministries (Art. 69).

Transfers and virement. *Ordonnateurs* (generally ministers, Art. 68) can reallocate salary spending to increase any other spending category; goods and services appropriations can be transferred to investment spending (Art. 15). The council of ministers may transfer spending between programmes of different ministries during the course of the year (without returning to Parliament). For virement between programmes of the same ministry, approval of either the minister of finance or the council of ministers is required (this depends on whether or not the nature of spending changes) (Art. 21).

Budget and general government accounting. Budget accounting records revenues and expenditures as voted in the annual budget law (i.e. by programme). General government accounting, which must be sincere, is based on accrual accounting principles (Art. 72).

The budget execution law and annual performance reports. The annual budget execution law states the actual amount of cash revenues and spending (as recorded at the payment order

stage – *ordonnancement*). The draft law is accompanied by the annual financial statements and explanatory annexes, including those of actual budget spending and annual performance reports (APR) for each programme. The APRs provide an account of the management and results of (budget) programmes (Art. 49–50).

Entities that conduct programme evaluations. Internal control organisations (e.g. the general financial inspectorate, under the MoF) and the court of accounts verify programme results and evaluate them for effectiveness, economy and efficiency (Art. 13).

External audit. The court of accounts prepares an annual report on budget execution and expresses an opinion on the functioning of internal and management controls, accounting procedures and the annual performance reports (Art. 75) (i.e. the court conducts performance audits as well as financial audits). The court's opinions are accompanied by recommendations for desirable improvements (Art. 51).

Parliamentary oversight. Parliament's budget committee (*commission des finances*) oversees budget execution. The government must provide quarterly budget execution reports to Parliament (Art. 74). The draft budget execution law must be transmitted to Parliament no later than the opening day of the parliamentary budget session that follows the year of budget execution (Art. 63). Parliament may question ministers (on budget execution) at parliamentary hearings (Art. 74).

Implementation schedule of national OBLs. WAEMU member states were to transpose the OBL directive into a national law by 31 December 2011, and to apply it from 1 January 2012 (Art. 85). However, the requirements for: eliminating the function of a principal *ordonnateur* performed by the minister of finance, and delegating *ordonnancement* to other ministers; adoption of programme-based annual budget appropriations; MTEFs and MTBF. The preparation of tables that show multi-dimensional budget classifications may be postponed until 1 January 2017. For full accrual accounting implementation, two additional years are allowed (i.e. until 2019) (Art. 86).

ANNEX 4:

Status of PPBB in Africa – methodology and data sources

This annex describes how the assessments of the status of PPBB of all 54 African countries were derived. For 29 countries, the source material was the responses to selected questions of the Open Budget Index (OBI) 2012, published by the International Budget Partnership (IBP).⁵⁶ The OBI is based on 125 survey questions, some of which relate to PPBB (see below). Civil society organisations (CSOs), which may provide more objective responses than the MoF or other government sources, fill out the questionnaires underlying the OBI. On the other hand, the CSOs may be less familiar with technical issues associated with PPBB systems. Also, although governments were invited to comment on the CSOs' questionnaire results, in several cases, government officials did not respond to the CSOs. It is likely that government officials would give a more optimistic assessment. Finally, there is no assurance that there is consistency in the quality of responses provided by the CSOs of the 29 countries. Given the uncertainties in the quality of OBI results, in some instances (noted in footnotes in this annex), the OBI survey was overridden, notably in countries where the OBI question responses did not appear to correspond to the PPBB reality 'on the ground'.

For the other 25 African countries, PEFA reports (especially the indicators pertaining to MTEFs) and MoF websites were the main information sources. In some instances, non-published material and country experts were consulted. A few countries, for which no published material pertaining to PPBB was available, were classified according to membership of WAEMU/CEMAC (where PPBB is required by 2021 at the latest) or were placed in the lowest category ('PPBB reforms not yet begun').

Given that information for some of the 54 countries is sparse, the country allocation to the categories discussed below should be viewed as tentative. The objective criteria for each category are based on the following.

Category 1

A fully fledged PPBB system in place

Criteria:

- (1) Ex-post annual performance reports are publicly available for budget spending; in the year-end reports, the differences between projected and actual budgets and PIs are explained extensively.
- (2) Annual budget appropriations are based on individual budget programmes.
- (3) MTEF spending is detailed by programme, with the MTEF classification consistent with the programme classification of the annual budget.
- (4) The draft budget contains PIs for programme spending (covering most budget spending).

OBI survey test questions:

- (1) Q.84: Does the year-end report extensively explain the differences between the original PIs and the actual outcome (response a)?
- (2) Q.4: Does the executive's budget proposal or any supporting budget documentation present expenditures for individual programmes for the budget year (response a or b)? In addition, budget appropriations are by programme.⁵⁷
- (3) Q.6: In the executive's budget proposal or any supporting budget documentation, is more detail in addition to the aggregate level presented for expenditure estimates that cover a multi-year period (for at least two years beyond the budget year) (response a or b)? In addition, MTEF projections are by programme, in a format identical to that of the annual appropriations.
- (4) Q.52: Does the executive's budget proposal or any supporting budget documentation contain PIs for expenditure programmes (response a or b)?

African countries satisfying above: none.

⁵⁶ See <http://internationalbudget.org>. Although the OBI was published in 2012, the data were collected in 2010/11. Also, earlier IBP surveys were taken for Niger (2008), Egypt, Sudan and Zambia (all 2010); these countries were not included in the 2012 OBI. In all cases, there may have been progress since 2010/11 in PPBB reforms, which might have resulted in some countries not being appropriately classified.

⁵⁷ The OBI survey did not ask a question on this. Individual countries' websites or other sources were checked to see if annual appropriations acts (or equivalent expenditure estimates, annual budget laws, etc.) were presented to the legislature and voted by programme or a similar output/outcome presentation.

Category 2

A functioning PPBB system in place

Criteria:

- (1) Ex-post annual performance reports are publicly available for *some* budget spending; in the year-end report, the differences between projected and actual budgets and PIs are explained extensively.
- (2) Individual budget programmes are prepared for most spending, but are not necessarily the basis of annual budget appropriations (programme budgets may be annexed to the annual appropriations bill).
- (3) MTEF spending is detailed, but MTEF projections are not necessarily in the same format as annual budget appropriations.
- (4) The draft budget contains PIs for programme spending (covering *most* budget spending).

OBI survey test questions:

- (1) Q.84: Does the year-end report extensively explain the differences between the original PIs and the actual outcome (response a)?
- (2) Q.4: Does the executive's budget proposal or any supporting budget documentation present expenditures for individual programmes for the budget year (response a or b)?
- (3) Q.6: In the executive's budget proposal or any supporting budget documentation, is more detail in addition to the aggregate level presented for expenditure estimates that cover a multi-year period (for at least two years beyond the budget year) (response a or b)?
- (4) Q.52: Does the executive's budget proposal or any supporting budget documentation contain PIs for expenditure programmes (response a, b or c)?

OBI survey countries satisfying above: South Africa.

Non-OBI survey countries satisfying above: Mauritius.⁵⁸

Category 3

Considerable progress towards PPBB implementation

Criteria:

- (1) There may be some or no ex-post reporting of annual performance (non-comprehensive explanations of the differences between projected and actual budgets and PIs).
- (2) Individual budget programmes are prepared for most spending, but are not necessarily the basis of annual budget appropriations (programme budgets may be annexed to the annual appropriations bill).
- (3) MTEF spending is detailed, but MTEF projections are not necessarily in the same format as annual budget appropriations.

⁵⁸ Assessment based on Ba (2010) and information available on website of the MoFED.

- (4) The draft budget contains PIs for programme spending (covering *some* budget spending).

OBI survey test questions:

- (1) Q.84: Does the year-end report explain the differences between the original PIs and the actual outcome (response b, c or d)?
- (2) Q.4: Does the executive's budget proposal or any supporting budget documentation present expenditures for individual programmes for the budget year (response: a or b)? Programme budgets may be annexed to the annual appropriations bill.
- (3) Q.6: In the executive's budget proposal or any supporting budget documentation, is more detail in addition to the aggregate level presented for expenditure estimates that cover a multi-year period (for at least two years beyond the budget year) (response a or b)?
- (4) Q.52: Does the executive's budget proposal or any supporting budget documentation contain PIs for expenditure programmes (response a, b or c)?

OBI survey countries satisfying above: Kenya, Liberia, Malawi, Mozambique, Namibia, Tanzania and Uganda.

Non-OBI survey countries satisfying above: Ethiopia.⁵⁹

Category 4

Some progress towards PPBB implementation

Criteria:

- (1) Budget spending does not have ex-post explanations (in annual performance reports) as to why there are differences between projected and actual budgets and PIs.
- (2) The annual budget or budget documentation is presented on a programme basis or there are budget programmes covering *some* budget spending.
- (3) An MTEF is prepared with a breakdown of spending by 'programme' for some spending.
- (4) The draft budget contains some PIs.

OBI survey test questions:

- (1) Q.84: Does the year-end report explain the differences between the original PIs and the actual outcome (response = d)?
- (2) Q.4: Does the executive's budget proposal or any supporting budget documentation present expenditures for individual programmes for the budget year (response a, b or c)?
- (3) Q.6: In the executive's budget proposal or any supporting

⁵⁹ Concerning MTEFs, although Ethiopia scored a C in the 2010 PEFA for PI-12(iii), there are indications of improvements since then. Regarding PPBB, since the 2011/12 budget, although the budget aggregates are presented in terms of recurrent, development, transfers (to regions) and MDGs, the annual budget law specifies that 'budget administration shall be in accordance with the procedures of programme budgeting'. For these purposes, the MoFED has guided the preparation of programmes by federal ministries and the development of PIs for these programmes, with results being 'explained' in ex-post budget execution reports. These factors suggest that Ethiopia is now in the 'considerable progress' category.

budget documentation is more detail in addition to the aggregate level presented for expenditure estimates that cover a multi-year period (for at least two years beyond the budget year) (response a, b, c)? If a country scored a 'd' response in the OBI survey, but obtained an A or B score in PEFA PI-12(iii) (this indicator concerns costed sectoral strategies for MTEFs covering more than 25 per cent of annual budget spending, and which are clearly linked to the annual budget), then the PEFA result takes precedence (this was so in the case of Botswana, Burkina Faso, Ghana, Mauritania and Senegal, but not Rwanda).⁶⁰

- (4) Q.52: Does the executive's budget proposal or any supporting budget documentation contain Pls for expenditure programmes (response a, b or c)?

OBI Survey countries satisfying above: Angola, Benin and Burkina Faso,⁶¹ Botswana, Ghana, Mali, Morocco,⁶² Niger, Rwanda,⁶³ São Tomé e Príncipe, Senegal and Zambia

Non-OBI survey countries satisfying above: Mauritania.

Criteria:

- (1) There are no ex-post annual performance reports.
- (2) There is performance information in the government's draft budget.
- (3) There are some sectoral strategies or some pilot programme 'budgets' and/or MTEFs (in at least three ministries), even though these are barely used in MoF-spending ministry budget discussions and may not be published in the draft budget law (spending estimates), not even as an annex.

OBI survey test questions:

60 PEFA scores are treated as more reliable than the OBI survey, because PEFA reports are prepared by a team of independent experts and are peer-reviewed by various actors, including officials in each country.

61 Although both Benin and Burkina Faso scored a 'd' in Q4, Q6, Q52 and Q84, both countries scored a B in their latest PEFA report for PI-12(iii). Also, both countries have developed programmes, which, although not used for budget appropriations, have been used by spending ministries for internal spending allocation decisions. Pls and targets have also been developed in some ministries.

62 Morocco scored a 'd' in Q4, Q6, Q52 and Q84, and a C in its 2009 PEFA report for PI-12(iii). However, in the 2012 OBI survey, it obtained a 'b' for Q48 ('Is the budget linked to policy goals?'). In 2005, the MoF published a guidance note on budget reforms, including sections illustrating full understanding of PPBB systems. An MTEF guide was published in 2007, and some ministries have prepared MTEFs. More recently, in the annual budget for 2013, each ministry/department describes its objectives and Pls (including results for Pls in the recent past) – see Morocco MoF (2013). While these are not 'programmes' (the annual budget is still adopted in classical terms), there has been some progress in identifying performance in each ministry, the results of which are available publicly on the website of the MoF.

63 Rwanda's 2012 OBI survey score was a 'd' for Q4, Q6, Q52 and Q82. Also, Rwanda's 2010 PEFA PI-12(iii) score was C, suggesting that the extent to which the MTEF is 'programme'-based is limited. However, Rwanda's MTEF (its Budget Framework Paper 2013/14–2015/16) includes spending by 'clusters' (policy areas), although these 'clusters' are not clearly linked to annual budget appropriations. All of these factors suggest that Rwanda should only be in the 'begun PPBB' category. However, Rwanda has introduced performance contracting and has begun output costing, which suggests that it merits being classed in the 'some progress' category.

- (1) Q.84. Does the year-end report explain the differences between the original Pls and the actual outcome (response = d)?
- (2) Q.52: Does the executive's budget proposal or any supporting budget documentation contain Pls for expenditure programmes (response = d)?
- (3) Q.4: Does the executive's budget proposal or any supporting budget documentation present expenditures for individual programmes for the budget year (response a, b, c or d)?
- (4) Q.6. In the executive's budget proposal or any supporting budget documentation, is more detail in addition to the aggregate level, presented for expenditure estimates that cover a multi-year period (for at least two years beyond the budget year) (response = a, b or c)? If a country scored a 'd' response in the OBI survey, this result was cross-checked with PEFA PI-12(iii). Countries were retained in this category if they scored a C or a D for PI-12

OBI survey countries satisfying above: Cameroon,⁶⁴ DRC, Egypt, Nigeria, Sierra Leone, Tunisia⁶⁵ and Zimbabwe.

Non-OBI survey countries satisfying above: Algeria (no published PEFA), Burundi, Cape Verde, Gabon,⁶⁶ and Lesotho (all with a C or D score for PEFA PI-12(iii)).

64 The OBI 2012 survey scores (all Ds) were not verified by the government of Cameroon. They could therefore be pessimistic. On the other hand, the government could be optimistic. For example, at a conference in early 2013, the minister of finance stated that programme budgets were implemented as of 1 January 2013 (see <http://www.dgtcfm.cm/actualite/nouvelles-de-la-dgtcfm/fr/information/actualite/564,conference-annuelle-des-responsables-des-services-centrauxC-deconcentres-et-externes-du-ministere-des-finances-2013-un-franc-succes.html>). In contrast, in March 2013, the Secretary-General of the MoF indicated that delays were being experienced in implementing PPBB. Unfortunately, the annual budget law, budget documentation and MTEF, which would help verify whether Cameroon merits placement in Category 4, are not available on the MoF website.

65 Tunisia scored a 'd' in Q4, Q6, Q52 and Q84, and a C in its 2010 PEFA report for PI-12(iii). While programmes have been drawn up for some ministries (see the Tunisia case study in Part B), these had not been tabled in Parliament by end-2012. Also, the 2013 annual budget was not accompanied by a publicly available document (on the MoF website) that describes the objectives, Pls and PI results in all ministries/departments. The categorisation for Tunisia also seems to be consistent with Ahern and Beschel (2012).

66 The government has created committees, groups, etc. for guiding PPBB implementation. It has set 2015 as the target year for a first programme-based annual law. See '*budgetisation par objectifs*' at www.budget.gouv.ga/5-grands-dossiers/239-bop.

Category 6 PPBB is required

Criteria

- (1) There is no performance information in the government's draft budget (d for Q.52).
- (2) The annual budget and MTEF are not programme-based (d for Q4 and Q6); for these countries, there is either: (i) a requirement or strong likelihood that a new OBL or PFA will be adopted, in coming years, that requires PPBB; or (ii) a high-level government (but not parliamentary) commitment to adopt a PPBB system.

OBI survey countries satisfying above: Chad.

Non-OBI survey countries satisfying above: Central African Republic, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Guinea-Bissau, Madagascar,⁶⁷ Gambia⁶⁸ and Togo.

Category 7 No PPBB reforms as yet

Criteria

- (1) The country is not yet moving towards a programme-based annual budget.
- (2) The country does not intend to publish performance information.
- (3) There is no MTEF (other than an aggregate fiscal framework).

(PPBB-related information for many of these countries is scarce.)

OBI survey countries satisfying above: Sudan.

Non-OBI survey countries satisfying above: Comoros, Djibouti, Eritrea, Guinea, Libya, Seychelles,⁶⁹ Somalia, South Sudan and Swaziland.⁷⁰

⁶⁷ In the 2008 PEFA report, it is indicated that Axe 2 of the then government's Madagascar Action Plan included programme budgeting as one component of the public finance reform programme.

⁶⁸ In his 2012 budget speech, the minister of finance stated that the 'government has embarked on budgetary reforms aimed at introducing a...MTEF...that provides incentives for policy-makers and budget planners to formulate medium-term budget plans by: linking planning and policy formulation with budget allocations; aligning the annual budget decisions with medium-term macro-fiscal strategy;...and improving monitoring and tracking of budget performance' (see www.mof.gov.gm/budget_speech_2012).

⁶⁹ In responding to the 2012 CABRI survey, the authorities indicated that they were considering implementing a PPBB system and were seeking technical assistance to draw up pilot programmes for two ministries in 2013. The intention was to eventually use a programme-based format for budget presentation to Parliament.

⁷⁰ Prior to end-2012, a new PFM law had been drafted, but not approved by the government. The draft law's emphasis is not on PPBB. (See Swaziland MoF 2013.)

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Part B

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Country case studies

These case study reports summarise the recent implementation of initiatives aimed at promoting performance and programme-based budgeting (PPBB) in Burkina Faso, Mozambique, Tunisia and Uganda. They are based on: (i) available literature on budget systems of each country (see the references at the end of each case study); and (ii) in-country interviews and discussions between the authors and country officials during October 2012 (see the list of the people interviewed at the end of each case study). All four studies were prepared by Fiscus Limited UK, on behalf of the Collaborative Africa Budget Reform Initiative (CABRI).

The purpose of the case studies is to serve as a practical guide for government officials working in the spheres of public finance and international co-operation. It is aimed at senior political strategists, and reviews the situation with regard to

PPBB reforms in the four countries. More particularly, each case study analyses the following five issues:

1. the origins of the current PPBB initiatives and the motivations for pursuing them;
2. the strategy and approach adopted for the introduction of PPBB, and the progress achieved in implementation to date;
3. the benefits generated by the initiative, as compared with the intended benefits;
4. the factors which have served as 'drivers' or 'blockers' of progress; and
5. the consequent lessons that have emerged.

1. Tunisia

Sofiane Fakhfakh



Introduction

Since 2003, Tunisia has been reorienting its budget system. In 2007, institutional structures were put in place at both the political and technical levels, which allowed for the implementation of performance and programme-based budgeting (PPBB) reforms to begin in 2008.

The approach adopted for PPBB reforms is a gradual one, consisting of three phases – a piloting phase involving five ministries, an extension of the pilots to other ministries and a final phase of rolling out PPBB to all ministries. By end-2012, the piloting of reforms was successfully underway in a limited number of ministries, but resistance to reform was being encountered in some ministries.

Following the political revolution in 2012, the timetable for PPBB reforms needs to be re-examined. While the new political authorities are keen to see improvements in budget transparency, which is one benefit of a PPBB system, a new constitution first has to be adopted. This would allow for the eventual adoption of a completely revamped organic budget law (OBL), which would require annual budget appropriations by programme. In the meantime, the Ministry of Finance (MoF) and other selected ministries are proceeding with PPBB reforms, subject to the existing legal constraints.

Four recommendations from this case study could be useful to other African governments:

- First, political buy-in is essential for the success of PPBB. The will of the people is not sufficient in itself; the highest levels of government should regularly monitor the progress of reform and should require regular reports on this progress.
- Second, in countries that have a French administrative heritage, it would be preferable to launch reforms by first passing a new OBL and revising its implementing regulations. This framework would serve as a foundation for the PPBB reforms and would prepare for the transition to a new system.
- Third, implementing PPBB does not necessarily mean that public management will be overhauled. Performance may be described well in budget documents, but this needs to be followed up by changing operational management.

- Fourth, PPBB reforms should not ignore the political, economic and social contexts specific to a country. Post-revolutionary Tunisia has to deal with three issues that completely upset the ideal time frame for implementation:
 - The country has to adopt a new constitution that satisfies the aspirations of the people. A new constitution would specify relations between Parliament and the government, both of which need to take ownership of the budget and accounting reforms. Parliament would adopt a new OBL consistent with the constitution. In the meantime, the foundation for PPBB reforms can be laid by experimentation, subject to existing legal constraints.
 - The economic crisis and the high levels of expectation of citizens mean that the pace of reform needs to be accelerated in order to produce short-term results. At the same time, realism is needed in the pace of PPBB reforms.
 - The revolution has instilled a desire for transparency, and the PPBB reforms need to take this aspect of democracy into account.

Motivations for and origins of PPBB

Tunisia's adoption of PPBB was not based on a single line of reasoning, but arose from a range of motivations emanating from stakeholders who have differing degrees of influence. The various and potentially contradictory motivations have influenced the structure and form of PPBB in Tunisia.

From the legal and institutional point of view, Tunisia initiated the public financial management (PFM) reform process in 2003 with the establishment of budget management by objectives (BMO) in the MoF. This process was extended in 2004 by a minor amendment of the 1967 OBL, which established the possibility of allocating funds based on programmes and voting units.

The OBL amendment did not require appropriations to be based on programmes and voting units; nor did it define the structure of programme-based appropriations or determine a date for the transition to performance-based budgeting and management. The OBL was amended again in 2007 to extend BMO to local authorities. In 2008, a new decree entrenched

the reform process with the establishment of sectoral BMO units within ministries selected for piloting the reform.

Piloting of the reform is organised in three tiers (see Figure 1). At the highest level, there is an inter-ministerial committee to co-ordinate and conduct the state's BMO reform project, established in 2007. This committee is chaired by the prime minister and consists of 13 ministers.

At the next level, there is a monitoring and evaluation committee on tasks assigned to units responsible for co-ordinating the BMO reform project. This committee is chaired by the minister of finance or his/her representative and includes all stakeholders in the reform (court of auditors, heads of BMO units, representatives of internal auditing bodies and agencies, etc.).

At the third level, there is a central focal point (BMO unit) in the MoF, which is responsible for monitoring and co-ordinating the institution of the reform. Sectoral focal points (sectoral BMO units) co-ordinate the process of establishing the reform in their respective ministries. Thematic groups have also been established to consider a number of cross-cutting themes. These groups are responsible for designing the appropriate technical solutions (classification, information system and computer applications, accounting, auditing, medium-term expenditure framework (MTEF), performance, legal and regulatory framework, etc.) and for facilitating the change-over to the BMO approach.

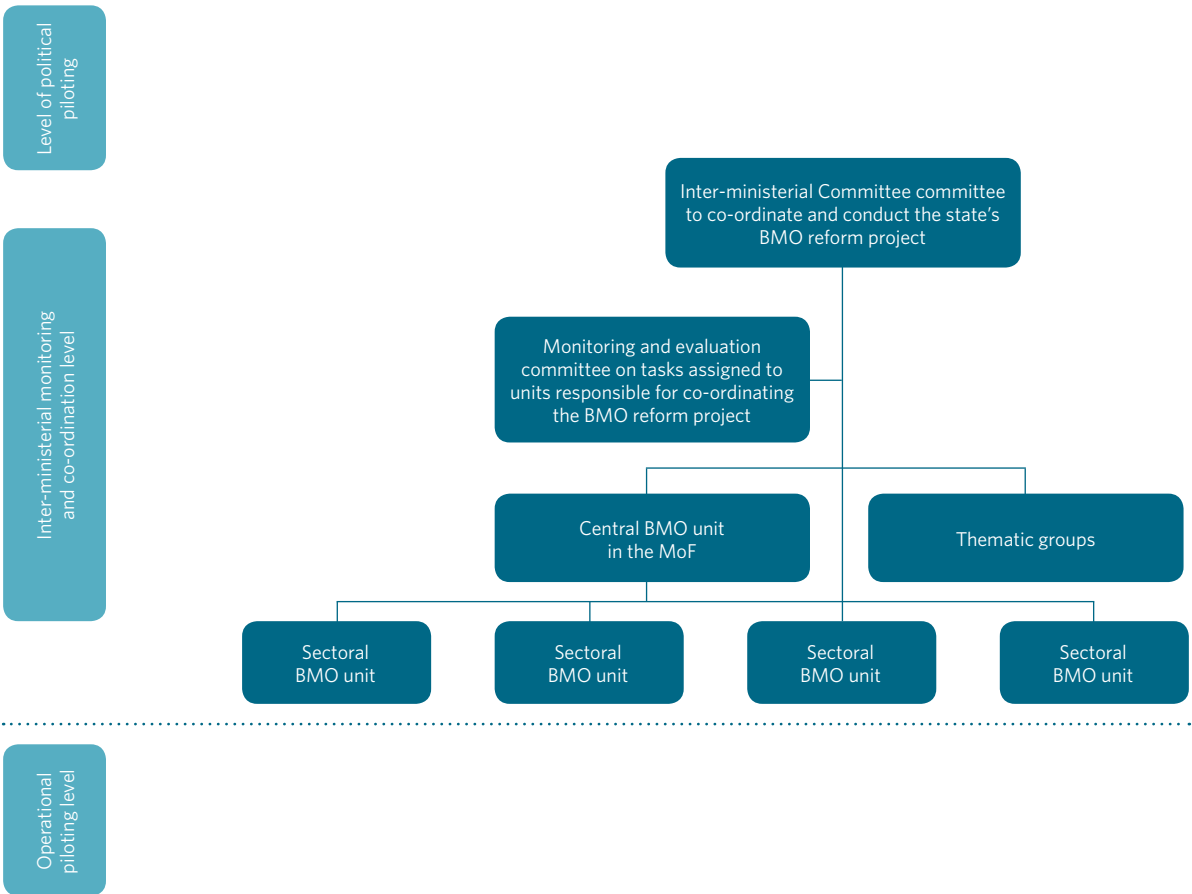
In 2004, the Country Financial Accountability Assessment (CFAA) study concluded that the PFM system was well run and that its organisation was reliable (World Bank 2004). However, the system did not make it possible for performance-based budget management to be introduced. This led to the decision to introduce PPBB initiatives, including the abovementioned OBL amendment in 2004, which allows for a programme-based budget with objectives and performance indicators to be tabled. The introduction of BMO was preceded by a preliminary analysis that made it possible, amongst other things, to define key PPPB concepts (see IBRD 2005).

Interpreting the concept of PPBB

The adoption of PPBB in Tunisia suggests that the concept has been understood and applied in three related although fundamentally different ways:

- The preparation of a programme-based medium-term financial planning framework (medium-term sectoral expenditure framework). This helps to achieve greater predictability for managers with regard to resources available in the medium-term. When total spending ceilings are firm, such a framework provides overall budgetary discipline. A comprehensive MTEF depends on the financial resources of the state and its macroeconomic constraints

Figure 1: The reform piloting mechanism



- The architecture of programme and sub-programme budgets, so as to provide better information on the purposes for which public funds are used.
- The improvement of operational performance by concentrating management on achieving objectives that can be measured by indicators.¹

The underlying rationale and source of demand for introducing PPBB

The overall objective of PFM reform in Tunisia is to increase the efficiency of PFM and improve the performance of public officials for the benefit of citizens, users and taxpayers.² More specifically, the goal is to 'strengthen the link between the budget and public policy objectives...and improve operational performance' through, in particular, 'strengthening budget procedures including preparing MTEFs, gradually implementing programme-based budget management, modernising internal control and building transparency and accountability of the executive' (World Bank 2009: 6). BMO seeks greater effectiveness in public expenditure, improves the quality of public service delivery, and develops a results- and performance-based culture.

The reform was initiated by the executive, driven by the MoF, which wanted to modernise budget management by providing an adequate institutional framework and allowing the possibility of allocating funds according to programmes and voting units. This opened the way for performance-based management, even if implementation is of limited scope.

The effort has received significant support from technical and financial partners, in particular, the World Bank and the European Union, which have provided technical assistance in order to extend the BMO approach in Tunisia. A three-year twinning with the European Union was agreed in 2011 to provide technical support for the reform and to facilitate its deployment.

The strategy and approach adopted

This section considers the most important choices made at each stage of the process, the reasons for these choices and their effects on the PPBB system.

Implementation strategy and timeline

The strategy adopted for PFM reform is very ambitious: the master plan for its implementation covers practically all aspects of budget, accounting, legal and IT management, as well as the management approach.³ A roadmap and a reference framework outline the reform's component measures, and the actions

PPBB and budget management

Developing a performance-based budgeting approach requires the following aspects of budget management:

- Strengthening the link between the budget and public policy objectives. Public policy objectives include the objectives of financial and macroeconomic stability as well as sectoral policy objectives (as defined in the 11th five-year plan and other strategic documents). To reinforce their links with the budget, it is necessary to develop instruments and procedures with the aim of:
 - ensuring overall budgetary discipline, that is, compliance of budget and expenditure programmes with macroeconomic objectives; and
 - effectively allocating resources between sectors according to strategic priorities defined in the five-year plan and strategic documents.
- Improving operational performance, that is, effectiveness and efficiency in providing public services and carrying out administrative activities. Improving performance is generally achieved by making managers more accountable, which means allowing them a degree of freedom in managing their resources while asking them to account for and report on their services and results.

Source: World Bank (2009).

needed to manage change. The master plan, which was approved by the inter-ministerial committee for conducting and piloting the reform, serves as a reference framework for all senior government officials who are directly or indirectly involved in the reform process (see World Bank 2009).

Implementation of the reform started in 2008. The approach adopted for instituting BMO is a gradual one and consists of three phases: a piloting phase, which involves five ministries;⁴ an extension of the reforms to other ministries;⁵ and a final phase in which BMO is rolled out to all ministries.

During this gradual process, it was decided to implement three main components: (i) multi-year budgeting, with the introduction of sectoral MTEFs in all sectoral ministries and a comprehensive MTEF to be drawn up by the MoF; (ii) a budget component, with a breakdown of each ministry's budget into programmes and sub-programmes; and (iii) an operational component, which consists of establishing performance-based management through the introduction of objectives and

¹ This would be possible only through revitalising public management methods by turning performance and results into management and piloting tools for public officials, independently of tabling a budget based on voting units and programmes.

² See PAGBO Financing Agreement: BMO support programme financing agreement.

³ See World Bank (2009) and Funding Agreement TN-UE of the PA-BMO and BMO supporting project – twinning N° TU10/ENP-AP/FI22.

⁴ The Ministry of Agriculture and Water Resources, Ministry of Higher Education and Scientific Research, Ministry of Health, Ministry of Education, and Ministry of Vocational Training and Employment.

⁵ Including the Ministry of Finance, Ministry of Infrastructure and Land Use Planning, Ministry of Transport and the Ministry of Industry.

performance measurement indicators in each programme, with the aim of modernising public management methods.

Other cross-cutting components of BMO reform are being put in place. These relate to budget classification, audits, the information system and computer applications, the accounting system, the legislative and regulatory framework, piloting and performance management. These cross-cutting components are the responsibility of abovementioned thematic groups, which were established in June 2012.

While notable progress was made in the five phase-one ministries, the work done in the additional ministries during the second and third phases of piloting seems to have had mixed results. The lessons learned by these ministries are now consolidated in a best practice guide. Moreover, the creation of a BMO Internet site and of a communication and training thematic group will allow for the reform to be accelerated in the other ministries. The standardised application of BMO in nine ministries could be realised as early as 2014.

The definition of programmes

A programme is a grouping of expenses, regardless of the nature of the expenditure or the source of the funding. All expenditure (including expenditure on remuneration) is classified according to a programme. The programme is aligned with one or more administrative structures (directorates-general in most cases – see Table 1).

Each programme is broken down into sub-programmes (SPs). In certain cases, an SP corresponds to a particular type of intervention or sub-sector; for example, the Water Programme of the Ministry of Agriculture, Water Resources and Fisheries is broken down into SP1: Water Resources, SP2: Dams and Major Hydraulic Works, and SP3: Rural Engineering and Water Use.

In other cases, an SP corresponds to a particular group of beneficiaries or institutions. This is the case for the University Services Programme in the Ministry for Higher Education and Scientific Research, which is broken down into SP1: University

Services for the North, SP2: University Services for the Centre, and SP3: University Services for the South. In the Higher Education programme, the universities themselves constitute the SPs.

The third tier into which programmes are broken down is 'activities'. An activity is the transformation process of resources (human and physical) into products and services rendered, corresponding to a tier of implementation and including operational units (services or institutions), investment projects and transfers. The approach used to put together programmes and sub-programmes is practical, since it takes into account the administrative organisation within the ministries.

A programme does not currently amount to a voting unit. It does, however, incorporate the funds to implement an action or a coherent set of actions falling under the same ministry and with which specific objectives are associated, defined with respect to purposes of general interest as well as the expected results, and subject to an assessment.

Mechanisms and incentives used to encourage the participation of sectoral ministries and other central agencies

No particular incentive mechanism has been put in place to encourage sectoral ministries to participate in the BMO process. However, many ministries expressed the wish to be part of PPBB reforms. Furthermore, in order to facilitate the piloting of BMO, in the phase-one pilot, provision was made for easing controls so as to give managers more freedom to manage. In particular, at a select council of ministers meeting on 7 June 2012, piloting protocols were approved. The protocols allowed greater fungibility of resources. In order to carry out proper piloting of BMO at the budget implementation stages, various provisions were put in place during 2012 – a performance circular for 2013, a reform piloting protocol, a decree modifying the budget classification for pilot ministries, a modification of the information system to enable use of the pilot classification, and a decree to ease prior controls.

Table 1: Example of programmes: Ministry of Agriculture, Water Resources and Fisheries

Programme	Corresponding administrative structure
Agricultural production, quality and safety of agricultural and food products	<ul style="list-style-type: none"> Directorate-General of Agricultural Production Directorate-General for the Protection and Control of the Quality of Agricultural Produce
Fishing and aquaculture	<ul style="list-style-type: none"> Directorate-General of Fishing and Aquaculture
Water	<ul style="list-style-type: none"> Directorate-General of Water Resources Directorate-General of Rural Engineering and Water Use Directorate-General of Dams and Major Hydraulic Works
Forests and development of agricultural land	<ul style="list-style-type: none"> Directorate-General of Forestry Directorate-General for the Development and Protection of Agricultural Land
Higher education, scientific research, vocational training and agricultural extension	<ul style="list-style-type: none"> Higher Agricultural Education and Research Institute Agricultural Extension and Training Agency, etc.
Piloting and support for agricultural policies	<ul style="list-style-type: none"> General secretariat Shared services (legal affairs, study and planning, administrative and financial affairs, etc.)

The extent of parliamentary participation

Members of Parliament⁶ were closely involved in the new programme-based budgeting approach. They took every opportunity to learn about the new PFM mechanism, and actively participated in the April 2012 training seminar and awareness days organised for them. They also participated in study tours organised with the aim of learning from best international practice.⁷

After the 2012 political and democratic changes, the new constituent assembly also showed considerable interest in reforming the budget system and tabling a programme-based budget. Such reforms are considered likely to enhance transparency, accountability and reporting.

Results obtained compared to expected outcomes

This section examines the achievements (immediate outcomes) of PPBB reform and its effects (changes to the budgetary process). It also touches on the unexpected benefits and, in some cases, the undesirable consequences of the reform.

The outputs initially planned and actually achieved

The following significant milestones were envisaged in the 2008 financing agreement signed with the European Union:

- the adoption of a master plan covering all elements of reform, in particular specifying the objectives, expected results and reform indicators, and preparing for the extension and roll-out of the BMO;
- the tabling in Parliament of the budget per ministry, broken down into individual programmes (with their associated, specific objectives and performance indicators, and the relevant resources), annexed to the 2011 budget law for the pilot ministries, and to be extended to two-thirds of the ministries in the 2012 budget law;
- modifying budget, financial and operational management systems and methods, including: (i) adapting the budget classification and accounting system, (ii) developing a detailed multi-year budget approach according to voting units (ministries), (iii) adapting information and computer systems, and (iv) adapting the expenditure circuit and auditing and control systems, by instituting new management controls and performance evaluations;
- holding programme managers to account, giving them greater flexibility in managing resources in exchange for increased demands in terms of performance and results obtained;
- raising awareness and training stakeholders in the new BMO methods and occupations; and
- revising the legal framework for the BMO management approach.

⁶ The Chamber of Deputies and the Chamber of Advisers under the previous regime.

⁷ In particular, the tour organised to the Netherlands.

By 2012, the following results had been achieved:

- the reform master plan was drawn up and approved in 2010 by the inter-ministerial committee to co-ordinate and conduct the state's BMO reform project.
- methodological guides were drafted, pertaining to:
 - programme classifications and tabling of the budget,
 - MTEFs,
 - performance indicators,
 - management dialogue and performance piloting, and
 - contractualisation;
- the inter-ministerial committee approved a comprehensive MTEF based on individual ministries and sectoral MTEFs, itemised according to programmes and sub-programmes for the ministries involved in the first phase of piloting;
- the piloting protocols were approved during a select ministerial council meeting on 7 June 2012;
- extension of piloting to other ministries was approved – four ministries in the second phase and 11 more in the third phase;
- continued BMO training and awareness activities; and
- the publication of a performance circular in June 2012.

BMO implementation in first-phase ministries was uneven. Until 2012, piloting activities were concentrated on the drafting of documents – MTEFs, PAPs (priority action programmes) and PCRs (project completion reports) – and, in most cases, had no effect on managerial issues. Remarkable work in designing the performance objectives and indicators had been done in certain pilot ministries,⁸ but not in others. Also, the piloting of BMO at budget execution level was awaiting the adoption of the work of the thematic groups (in particular, those responsible for the legislative and regulatory framework, classification, auditing and information systems).

Delays were experienced in tabling in Parliament a programme-based budget for the pilot ministries annexed to the budget law. However, it was expected that two out of the five phase-one ministries⁹ would table their programme-based budgets, as well as their PAPs, annexed to their resource budgets for 2013.

With regard to the legislative and regulatory framework (in particular, the OBL), programme classification, accounting instructions, computer applications and projects for legislative and regulatory change, the thematic groups have started examining the necessary questions and were benefiting from technical assistance. Proposals for modifying documents under the aegis of thematic groups were being made in January 2013. These concerned:

- the performance circular, which defines the position of programme leader and the roles of the various actors, and also sets out the main BMO concepts;

⁸ The Ministry of Higher Education and Scientific Research and the Ministry of Agriculture and Water Resources.

⁹ That is, the Ministry of Higher Education and Scientific Research and the Ministry of Agriculture and Water Resources.

- the decree that approved a new pilot budget classification that allows for programme monitoring and minimal fungibility;
- the existing information system, which was modified to allow for the piloting classification to be used; and
- Decree N° 2012-2878 of 19 November 2012, on easing compliance-oriented a priori spending controls, thereby laying the foundations for a new control system that focuses on the risks of high-stake operations.

In early 2013, the reform implementation plan was in need of review, to ensure a realistic time frame for achievable milestones. In this context, for BMO to lead to improved achievements, there was a need to integrate performance at the operational level with budget formulation and implementation, as performance had only been described in extra-budgetary documents, such as annual performance plans. However, Tunisia's PPBB reforms were moving towards 'presentational budgeting' (see OECD 2008).

Establishing the goals and the performance measurement indicators is not, in itself, the ultimate aim. Eventually, the piloting of budget programmes is expected to lead to a genuine management dialogue at all levels of the hierarchy, both vertically and horizontally. By 2012, reformulated links between the various operators responsible for implementation and budget programmes had begun, through pilot contractualisation in two ministries, the Ministry of Health (with regard to the hospitals) and the Ministry of Higher Education and Scientific Research (with regard to the universities). However, the piloting of performance management and use of a number of tools, such as scorecards that serve as dialogue, monitoring and assessment instruments, was still to be developed at end-2012.

Changes achieved in the processes of budget formulation, execution and reporting

For budget formulation, there was a distinct improvement in the documentation prepared by the pilot ministries. In particular, annual performance plans had been prepared. These comprise an overview of sectoral spending policies, the objectives and performance measurement indicators per programme, actions aimed at achieving the objectives, medium-term financial planning of appropriations by programme, and so on. Most of the work (PAP and PCR) was done by the BMO units of the pilot ministries and not by the programme managers or the departments concerned.

Budget discussions and decisions on appropriations continued according to the conventional method – that is to say, on the basis of resources and not on the basis of results, even though the ministries involved in piloting the reform presented their PAPs containing the objectives and performance indicators together with the targets. Starting with discussions for the 2013 budget, and thanks to the 2012 performance circular, the budget discussions for the phase-one pilot ministries occurred in the form of performance and budget meetings attended by the programme managers.

With respect to budget implementation, in January 2013,

modifications were being made in the budget classification system so that appropriations could eventually be allocated by programmes. These changes were being made without further changes to the OBL.

Concerning accountability to the public and to Parliament, in early 2013, this remained one of the objectives that needed to be achieved when instituting PPBB in the ministries. Improvements in performance at operational level are yet to be made.

Drivers and inhibitors of progress

This section examines the relative importance of the main stakeholders that have supported PPBB, both on the 'supply side' (process designers and those tasked with drafting annual PPBB documents) and on the 'demand side' (the users of the PPBB documents in the executive, the legislature and civil society). It also assesses the main constraints with respect to technical factors (particularly the time frame of the PPBB reforms), organisational and human resources constraints and fundamental institutional issues. Finally, it gives an assessment of the short-term prospects by considering the progress that can be expected, taking into account existing drivers of and obstacles to progress.

The main drivers of progress

The political and democratic changes that have occurred in Tunisia represent an opportunity to be seized. The principles of a modern budget (transparency, performance, accountability, good governance, etc.) – the ultimate aims of the PPB reforms – are fully consistent with the new political ethos. Several ministries have explicitly and officially requested that they be allowed to participate in piloting the PPBB reforms. Such requests indicate considerable willingness and commitment to the reform movement. This willingness is particularly obvious in the MoF (which initiated the reforms) and also within the various BMO units (central and sectoral), despite limited resources and obstacles to progress in some ministries.¹⁰

The BMO units provide a rich database of documents for the ministries involved in the piloting, and provide training, awareness and information sessions on the reform for those departments and structures that fall under their ministries. The units are a major asset in introducing the reforms, since they also act as a platform for exchanging and sharing information, and for consultation between the various stakeholders.

Donors such as the European Union and the World Bank support the public finance reform process and are keen to see the country implement PPBB reforms and enhance transparency.

Technical constraints: problems relating to the PPBB time frame

Technical constraints manifest themselves particularly at the level of the current budget classification, which takes the form of the typically hierarchical classification of francophone countries.

¹⁰ Such as the Ministry of Public Health.

In late 2012, work was focused on adapting the current classification by grafting onto it (at article and paragraph level) the programme classification (programme and sub-programme). It was expected that the new budget classification would be ready for piloting during 2013. This approach was adopted in order to mitigate the constraints resulting from the OBL and Decree N° 99-529 on budget classification (which was amended on 2 January 2013 to integrate the programmes) and those imposed by the computer expense application (ADEB), which supports only the current classification. Reshaping of the current classification remains a fundamental step in the move to BMO.

The current computer information system consists of several applications: ADEB for expenditure management; AMAD for budget preparation; INSAF for human resources and payroll management; RAFIC, which manages receivables; and SIADÉ, which manages external finance. None of these five systems is interfaced. The non-integration of ADEB and INSAF, specifically, weakens the reporting and the scorecards of decision-makers, especially those at the MoF. Both the ADEB and AMAD applications are satisfactory in the interim, until the budget classification is reworked.

The current information system also poses a governance problem due mainly to the fact that the management of the computer applications, especially payroll management (INSAF) and expenditure management and monitoring (ADEB), fall under two different centres – respectively, the CNI (National Computer Centre), which is part of the prime minister's office, and the CIMF (MoF Computer Centre), which is part of the MoF. This creates an organisational and co-ordination problem that has to be continuously managed.

There is also a technical constraint with the current accounting system, which is cash-based. Revenue collection and disbursement transactions are not done according to the double-entry system but on a single-entry basis. Transactions are not recorded at the accrual stage. More generally, no information is available on government assets. This weakness is accentuated by the absence of a general chart of accounts for the government, which, *inter alia*, needs to be rectified so that expenditure can be recorded by an economic classification that conforms to international standards. Finally, the efforts to centralise accounting are of poor quality.

Organisational and human resources constraints

A significant difficulty is for the PPBB-related changes to be accepted by civil servants, who are used to the 'good old-fashioned way' of working on the basis of an input budget, and who think that the reform will significantly reduce their prerogatives and decision-making powers. Further training, communication and awareness-raising initiatives are needed to overcome the resistance of those who are required to implement the reforms. The difficulties encountered in some ministries (e.g. the Ministry of National Education) with implementing the piloting of the reform shows how complex a system the civil service is and how challenging it is to transform it.

In this context, the reform action plan must have a realistic timetable. The Tunisian experience shows that one needs

Tunisia: the inherited budget classification system

The current budget classification is hierarchically organised with the following levels:

- *Chapters*, which correspond to a ministry, with implied sub-chapters. Public institutions of certain ministries are included in the budget separately from the ministry's appropriations.
- *Titles and sections*, which correspond to the type of expense (e.g. Title I, Section I Management Expenses).
- *Parts*, which specify either the type of expense (e.g. remuneration) or the source of the funds (e.g. development expenses from external resources).
- *Articles* – for operating expenses, a detailed economic nature of which is given; and for capital expenses, the economic nature, a combination of the economic nature and the purpose, or the purpose or function of which is given.
- *Paragraphs and sub-paragraphs*, which provide detail for an article: in the case of certain operating expenses, on their economic nature; for other operating expenses, corresponding to a combination of the economic nature and the beneficiary department; for transfers and subsidies, details of the beneficiary or the beneficiary's category; and for capital expenses, details on either their economic nature or the project.

Source: Methodological guide (2007).

sufficient time for the introduction of such widespread reforms, which lead to major changes in how the budget is prepared and managed.

Institutional constraints: political, legal and cultural

Even though the reform has made progress in some of the pilot ministries,¹¹ it is coming up against various legal and regulatory obstacles. The major constraint to introducing PPBB is the existing OBL.

Vast changes are necessary to make the transition once and for all to the new budget management system of the state. A modified OBL would provide a firm foundation for the PPBB reforms and would counter the risk of their unravelling.

¹¹ In particular, the Ministry of Higher Education and Scientific Research and the Ministry of Agriculture, Water Resources and Fisheries.

A new legislative and regulatory framework

'The legal and regulatory framework, including the Organic Budget Law (OBL), should be revised in order to establish the BMO. Several provisions of the OBL of 13 May 2004 are not relevant to the BMO. In particular, programme-based budget management should lead to a review of the rules for managing payment appropriations, including those linked to fund transfers, and to a redefinition of a specialised budget unit. The new OBL can make provision for the new procedures to be put in place in tiers. The preparation of the new legislative and regulatory framework should be started by 2009 so that drafts of the main laws and regulations will be available by 2011.' World Bank (2009: 7).

Future prospects

The goal of greater transparency in the management of public funds demands a certain amount of monitoring of the reform's progress by political decision-makers.

Much work has been done in the pilot ministries, especially with regard to mapping programmes, objectives and performance indicators. For this work to be consolidated, considerable progress needs to be made in the work of groups on cross-cutting themes, which will culminate in the adoption of the new OBL, a new budget classification system, a new internal monitoring mechanism, the adaptation of computer applications and an overhaul of the government accounting system.

More effort is required for the successful launching of piloting activities. The piloting of the reforms has revealed some inconsistencies in the reform implementation process that will have to be corrected, both at the implementation planning level and when selecting technical and organisational adaptations.

Lessons emerging

So far, the BMO reforms have made it possible to start the transformation process at the administrative level. Reforms in certain pilot ministries have been successful. Extensive reflection in the thematic groups on cross-cutting issues has laid the technical groundwork for the reform (budget classification, controls, information system, computer applications, etc.). Significant effort has gone into training and raising awareness of the reform within the ministries. More consistency is required in this aspect, by aligning the training material and selecting professional training staff.

The Tunisian experience has demonstrated the importance of piloting the reform in three tiers. The political tier has been involved through the creation of the inter-ministerial committee

to co-ordinate and conduct the state's BMO reform project. The intermediate tier is represented by the monitoring and evaluation committee on tasks assigned to units responsible for co-ordinating the BMO reforms. The operational tier consists of the central BMO unit in the MoF and the BMO units in the sectoral ministries. These institutional arrangements have made it possible to sustain the piloting of the reforms.

Tunisia's PFM system has several strong points in terms of overall budgetary discipline, although it also has rigidities that do not allow for performance-based management. When proposing ways of adapting the budget system to performance-based management, a guiding principle was to avoid imposing ready-made solutions without taking into account the specific nature of the existing systems.

It is essential to avoid negative effects in introducing performance-based management. Focusing on the results should not be undertaken without considering the overall budget constraint. Budget resources are capped and one cannot mechanically link the allocation of funds to performance objectives. An iterative process needs to be developed that allows for a readjustment of the performance targets, taking into account the budget envelope required to achieve a given objective.

Political will is important but not sufficient. There should be a clear decision by public authorities at the highest level to change over to the new system. During the first few years of reform, high-level political authorities did not regularly monitor PPBB implementation progress in Tunisia. This should be reversed in the future: close monitoring forces the parties involved in the reforms to make progress in the implementation process. Tunisia illustrates the difficulties involved in fundamentally changing administration and culture. 'To launch reforms is politically advantageous but to bring them to fruition is expensive. Hence reforms are abandoned without any change in culture.' (Matheson 2002)

It is essential to carry out a mid-term review of the PPBB strategy and action plans in order to correct for any inconsistencies that may have appeared. Such a review would re-examine the time frame for the implementation of the reform and adapt action in response to the difficulties encountered.

So far, a gradualist approach has been taken with the reforms. Time is needed to involve budget actors, to learn from errors and to enhance ownership of the reform. The approach adopted makes it possible to entrench the reform and eliminate the risk of it being abandoned.

In countries like Tunisia that have inherited a French administrative system, it would be preferable to initiate PPBB reforms by passing a new OBL and revising the regulatory framework required to put the reforms in place. A period of five to ten years is needed to prepare for the transition to the new system.

The political change that occurred in Tunisia breathed new life into the reform. Opening up to the values of democracy can promote reforms focused on transparency, self-assessment, accountability and the foundations of good governance.

Over and above the training required in the techniques of

preparing budget documents for a performance-based programme (programme budget, the MTEF, PAP, PCR, etc.), a major effort is needed in communicating and raising awareness of the benefits of the PPBB approach. This effort should include civil society, the media and MPs, who are major allies in the institution of such reforms. They have great influence and can apply pressure to ensure that progress is made with the reforms.

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Atallah, Zouhaier – Director-General (MoF)

Hamdi, Mohamed – Director-General (MoF)

Ben Amor, Jawaher – Director (MoF)

El Khalil, Assad – Deputy Director (MoF)

Kochtali, Abderrahmane – Director-General, head of the central BMO unit (MoF)

Touahria, Mnawer – Director, head of the BMO unit (Ministry of Higher Education and Scientific Research)

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2. Uganda

Carole Pretorius



Introduction

Uganda has a long history of budgeting and strategic planning reforms dating back to the 1990s. In 2007, the government began the current phase of PPBB initiatives in order to enhance the linkages between the resources available and results, as well as to improve reporting on actual financial and non-financial performance.

The Ugandan government is adopting a gradual approach to the introduction of PPBB. A new budget structure has been adopted and now forms the core of all budgeting and planning documents. This new structure, which coexists with the present administrative structure, has improved transparency and enabled a greater focus on performance. In particular, it places increased emphasis on the purpose and objectives of all vote expenditure, expected outputs and contributions to outcomes. Subsequent budget decisions can be informed by past performance, although this study has not been able to determine the extent to which decisions have been influenced in this way.

Although presented together, recurrent and capital expenditure remain separate under programme and project classifications. Emphasis has been on defining a limited number of programmes and outputs under each vote, and introducing a restricted number of performance indicators per output. At this stage, controls at the input level are still detailed, and appropriations at vote-level are not yet by programme.

Despite the favourable changes, the links between performance and policy and planning remain weak in many sectors. Also, the recurrent cost implications of capital investments are not always taken into account. Moreover, under-budgeting of some inputs (e.g. salaries and utilities), difficulties in revenue forecasting and high inflation have led to an ongoing problem of expenditure arrears.

Several of the preconditions necessary for the introduction of programme budgeting are not in place. For example, the integrity of the financial information in budget performance reports is hampered by weaknesses in internal controls and non-inclusion of arrears, thus understating true costs. Also, there is a multiplicity of monitoring and evaluation systems that record data against individual performance indicators. However, there is some duplication, and the performance

indicators have little impact on budget allocation decisions.

Accountability to Parliament has improved, as there is more meaningful information on how funds have been used. The budget office of Parliament plays a critical role in its interpretation. Public interest in PPBB is also reportedly increasing.

The Uganda case study demonstrates five lessons of wider value for other African governments:

- Firstly, the interest and enthusiasm of technical personnel combined with the support of senior management and political leaders is critical at the outset. However, the momentum of PPBB reforms may decline over time if real benefits do not become clearly visible.
- Secondly, without strong foundations and the meeting of preconditions, the ability of PPBB to improve budget formulation and execution is limited. In particular, there is a need to: establish meaningful expenditure ceilings early on in the annual budget preparation process and ensure that they are respected during budget execution; and to ensure that basic expenditure controls are functioning well.
- Thirdly, at a technical level, the output budgeting tool and a comparatively simple database can facilitate the reform process and enable regular reporting.
- Fourthly, it is important to limit the number of vote functions (policy areas for each vote in Parliament), the number of key outputs per vote and the number of performance indicators per output.
- Finally, PPBB can increase debate and improve challenge functions, but may not result in real behavioural change without due attention to incentives and disincentives, notably with regard to the quality of internal controls on expenditure and the effectiveness of sanctions for breaches of control regulations, and to the management of staff promotions, salary improvements and non-monetary recognition in the light of performance.

Motivations for and origins of PPBB

This section examines the origins of PPBB reforms, how they have evolved over the years, the demand for these reforms,

the motivation for the latest phase, and how the concept is currently being applied in Uganda.

Interpreting the concept of PPBB

The introduction of PPBB continues to evolve, following a staged approach to its implementation. Key features include the following:

- vote functions have been defined across government and are the basis for programmes (however, programmes are not yet the basis for appropriations);
- performance data is intended to inform decision-making, but not the basis for allocation; and
- expenditure control is still maintained at budget line-item level.

The underlying rationale and source of demand for introducing PPBB

During the 1990s, Uganda successfully achieved aggregate fiscal discipline. In 1998, in order to improve strategic resource allocation and operational efficiency, the Ministry of Finance, Planning and Economic Development (MoFPED) introduced the concept of results into the medium-term expenditure framework (MTEF) process, with the introduction of an outcome/output orientation into the budget on a sector basis. Sector expenditure decisions were supposed to be justified in terms of past performance, and expenditure levels in terms of the specific outputs they intended to achieve. The main entry points for an output/outcome orientation in the budget process were the sector working groups (SWGs). The reports prepared by these groups were consolidated into the National Budget Framework Paper (NBFP).

The SWGs identified outputs, intermediate outcomes and outcome indicators. To varying degrees, sector performance against those targets were reviewed and targets were reset as needed. The targets were supposed to justify the sector budget allocations. However, this was quite haphazard as there was no formal linkage of indicators and targets with the prevailing budget structure.

By the mid-2000s, despite initial successes, this relatively elaborate sector-based planning and budgeting process had stagnated and become more a process to be followed than a process that enhanced decision-making and supported high-quality service delivery. This can be attributed partly to the fact that the sector concept was mostly a donor-driven one, while most ministries did not see strong benefits from the process, particularly where there was more than one ministry per outcome. At the same time, there was growing political, public and development partner (DP) dissatisfaction with the efficiency and effectiveness of public expenditure.

Despite various DP and/or government of Uganda (GoU) monitoring and evaluation strategies and mechanisms, the senior management in MoFPED recognised that there was no straightforward presentation of how appropriated budget funds had actually been translated into performance (or not) and, consequently, no feedback loop into future decision-making.

In 2007, in order to address this weakness, the GoU, led by

the Budget Policy and Evaluation Department (BPED) in MoFPED, decided to introduce a form of programme budgeting that would systematically link the appropriated annual budget with the performance indicators in the various sector and national planning documents.

The strategy and approach adopted

This section focuses on the PPBB experience after 2007, when 'programme' budgeting was refocused to improve the linkages between results and resources.

Leading stakeholders, management and communication processes and resources applied

The PPBB reform process has been led by the BPED in the MoFPED, with support from other MoFPED departments. It has been implemented by planning personnel in the sector ministries, supported by long- and short-term technical assistance, local database programmers and 40 economists contracted through the Financial Management and Accountability Programme (FINMAP). Political support for the reforms has varied over time. However, following the 2011 election, there has been an increased level of engagement by MPs, although not specifically in terms of PPBB.

Led by the creation of the Budget Monitoring and Accountability Unit (BMAU), a parallel initiative on performance contracting¹ and budget monitoring (focused on projects in eight sectors) was introduced in the 2008/09 financial year. This has been led and resourced exclusively by the government.

Although the GoU has implemented a sophisticated Oracle-based integrated financial management system (IFMIS), this system was not flexible enough to support the performance-informed methodology and reporting required. The development of the Output Budgeting Tool (OBT), an Access-based system, has been central to the introduction of programme-based budgeting and the refocusing of performance budgeting.

The OBT is now used across the government, with a simplified version being adopted by higher levels of local government. The tool covers all of the budget formulation, preparation and reporting systems. The following documentation is prepared by the system:

- *sector budget framework papers* – these set out the sector ceilings and budgets including details of votes and vote functions;
- *national budget framework papers* – these provide a consolidated overview of the sector budgets for the year;
- *ministerial policy statements* – these provide support to the individual ministry (vote) submission;
- *national budget estimates* – these provide the detailed budget estimates of expenditure and revenue, although

¹ This case study does not review the effectiveness of the performance contract initiative in terms of holding the accounting officer responsible for the vote's performance.

- appropriation is only at vote level;
- *performance contracts*;
- *budget performance reports (annual)* – these set out the physical and financial performance achieved against the budget for each vote; and
- *spending agency progress reports* – these set out the physical and financial performance of spending agencies (quarterly and annual).

Budget data is uploaded from OBT to IFMIS, and expenditure data is downloaded from IFMIS to OBT. Mechanisms were also developed to transfer data to and from the older system where it still existed.

The definition of programmes and their incorporation into formulation, execution and reporting processes

The first step in the whole budget reform process was to define the expenditure programmes (vote functions) across central government, as the basis for linking performance information across the budget and planning documentation. Concepts used are laid out in Table 1.

The generic budget classification is illustrated in Figure 1, and the example of the Ministry of Education and Sports in Figure 2. This structure was introduced between 2008 and 2009. Importantly, the administrative structure ‘Vote: Programme/Project’ is maintained alongside the performance structure of ‘Sector: Vote function: Key output’. This budget classification system is embedded in the chart of accounts.

The simple hierarchy of ‘vote: vote function: programme and project’ used initially was expanded in 2009/10 to include key outputs. Different programmes and projects contribute to various outputs that contribute to the vote’s function. Outputs were introduced into the structure to support the legal requirement in Section 15b(iii) of the Public Finance and Accountability Act of 2003 to report against output. Although Uganda has carefully avoided the over-complicated activity-based structures of neighbouring countries, even the inclusion of outputs has led to some excess of detail. Indeed, the usefulness of the output classification is questioned by some observers.

The role of performance information

Uganda has had an elaborate planning and budgeting framework in place for over a decade. This includes the requirement of defining a whole set of outcomes and objectives as follows:

- *sector policy objectives*, which set out what the government intends to achieve in implementing its policies in a given sector;
- *the vote mission*, which provides a brief statement of the purpose of a specific institution, its service delivery responsibilities, and its overall objectives;
- *vote function strategic objectives*, which set out what an individual vote function intends to achieve under a vote; and
- *performance indicators*, which are established at the key output level and can be both qualitative and quantitative (some are numerical, others descriptive).

Table 1: Organisational and programme classifiers and their roles

Classification	Description
Votes	These are institutions (ministries, departments, agencies and local governments) that are the basis of the annual budget and appropriations. ²
Vote functions	These are groups of related services and capital investments delivered by a vote or delivered on behalf of that vote (e.g. secondary education services). ³ In practice, the vote function equates to a form of programme.
Programmes	These represent the results or sets of activities implemented by the vote, and which contribute to the achievement of the vote function objectives. They are recurrent in nature (e.g. the inspection of primary schools). In practice, the programme is the administrative department or cost centre.
Projects	These represent the results or sets of activities implemented by the vote, and which contribute to the achievement of the vote function objectives. They primarily involve capital purchases ⁴ and may be financed by the GoU and/or DPs (e.g. emergency construction of primary school classrooms).
Key outputs	These are strategically important services delivered by the vote function which contribute directly to the vote’s and indirectly to the sector’s objectives (e.g. purchase of instructional material, which contributes towards increasing access to education and to the wider sector objectives of increasing literacy and numeracy rates). There are three groups of outputs: services provided (internal or external); services funded; and capital purchases.
Items	These are the lowest operational level of the budget and represent the resources necessary to carry out activities (e.g. salaries, travel, printing and stationery). ⁵

² The Ugandan Parliament passes the Appropriation Act at vote level, although discussions at a more detailed level are presented in the annual budget documentation.

³ The GoU does not consider that the Classification of the Functions of Government (COFOG) is appropriate for use in votes of expenditure. However, the MoFEPD, carries out a mapping exercise according to the COFOG system.

⁴ However, a review of the budget documentation shows that for traditional donor funded development projects, these still include a significant amount of recurrent-type costs (e.g. salaries and allowances).

⁵ GFS economic classification.

Figure 1: The hierarchy of administrative and programme structures

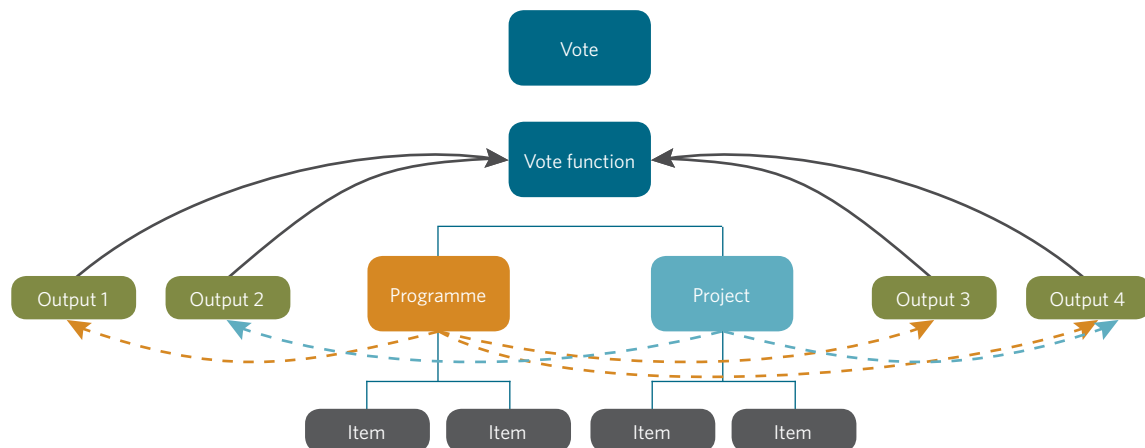
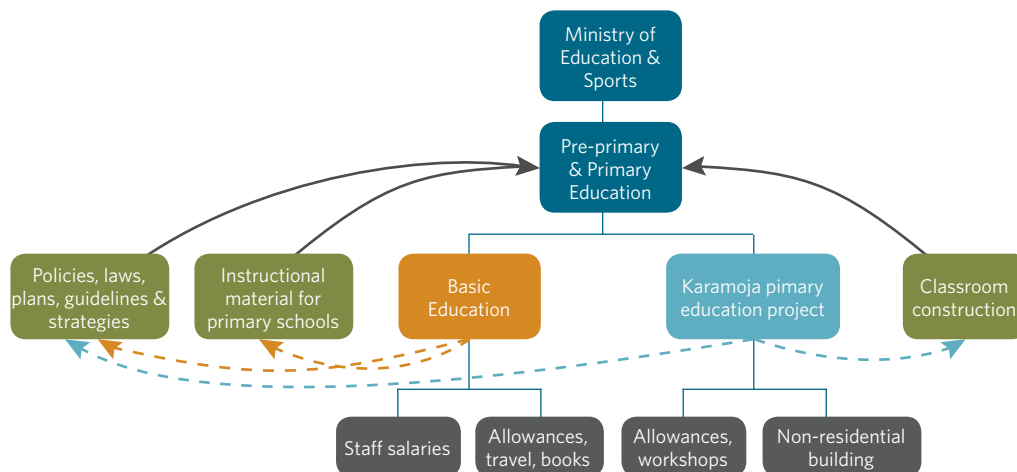


Figure 2: The programme structure in the Ministry of Education and Sports



Mechanisms and incentives used to encourage the participation of sectoral ministries and other central agencies

A multi-stakeholder committee was not established to lead the reform forward. However, planning functions in sector ministries have received extensive on-the-job training in the use of the OBT and were involved in discussions on the vote function and key output definitions. Non-acceptance of budgets submitted in any other format has acted as a strong incentive for ministries to comply with the new system. The extent of collaboration of sector ministries with PPBB has varied, in part, reflecting the differential quality of planning across sectors and the different power bases of ministries, departments and agencies (MDAs).

Results obtained compared to expected outcomes

This section examines outputs – that is the immediate products of the PPBB initiatives, and also outcomes – in terms of the corresponding changes generated in the budget process and the consequent benefits achieved.⁶

The outputs initially planned and actually achieved

The strategy adopted for PPBB was based upon the initial milestones presented below. Table 2 summarises the key outputs by late 2012, in comparison with these initial plans.

⁶ The findings presented here are based on a short assessment and are presented for the purposes of discussion and learning.

Table 2: Summary of reform outputs to date, in comparison with initial plans

Planned	Actual
New programme structure	Vote functions have been defined across government, and are effectively the GoU's 'programmes'. Key outputs contribute to the achievement of vote functions.
Database tool	An Access-based system has been developed and is used for budget formulation, preparation and reporting.
Regular performance reports	Annual budget performance reports are prepared and generally published by September/October following year-end. Some reports are available online. Output reports are supposed to be produced quarterly for internal use.

In terms of planned outcomes and benefits, the strategy was expected to improve reporting on performance and lead to an improvement in budget formulation. This case study was not able to verify whether budget formulation has actually improved as a consequence of the changes.

In terms of budget preparation, a number of positive changes have taken place, including:

- greater involvement of senior management in the development of annual work plans;
- increased ability of the MoFPED to challenge budget submissions;
- improved levels of debate in Parliament on the objectives of budget spending; and
- improved DP understanding of the type of expenditure being supported.

In terms of budget reporting, financial and non-financial performance are now reported together, although data integrity is a concern. Budget execution is still hampered by a number of factors, including late approval by Parliament of the annual budget and the frequent need for supplementary budgets.

Wider effects on service delivery and on accountability to the public and to Parliament

The various PPBB reforms, including the creation of the BMAU, have helped to increase the government's accountability to Parliament and the public, especially in terms of planned and reported use of funds. However, budget appropriations at vote level are not in terms of programmes. Vote function is presented in the budget for information and performance against key outputs within a vote function. The annual policy statements by each sector minister present vote functions (policy areas), strategic objectives for each function, and a description of services for each objective. This presents a lot of useful information concerning the objectives of each policy area and, in theory, should influence policy decisions and funding in future years (modifications to the sector MTEFs that have already been prepared). The extent to which the changes introduced have improved service delivery is unclear. However, over the longer term, the enhancements to available information in various budget reports provide the basis for analysis, including of the extent of shift of resources to poverty-related expenditures that may result in increased access to key services.

Drivers and inhibitors of progress

This section considers who has driven the reform process and what issues are blocking progress.

The main drivers of progress

The main driver of the changes has been the MoFPED with support from the executive and parliamentarians. At the sector level, PPBB reforms have been supported by the planning personnel, who have been instrumental in the production of improved budget documentation that outlines objectives and actions of 'programmes'.

Technical constraints relating to the PPBB time frame

A credible and timely budget process, predictability of resources and effective internal controls are fundamental requirements for effective PPBB implementation. In this respect, the 2009 PEFA assessment notes the following concerns (Republic of Uganda 2009):

- The credibility of the budget has not improved since the 2008 PEFA assessment. According to the auditor-general's report for 2010/11 (Vol. 2), many budget cuts (reductions) were effected unilaterally by the MoFPED on the MDAs' prioritised activities without consulting the respective MDAs (Republic of Uganda 2011).
- Revenue forecasting has been weak, and expenditure arrears continue to be a problem.
- There are frequent modifications to the ceilings during the budgeting process, both during the budget framework paper preparation stage and during the discussions at the national budget workshop. This creates a challenge for MDAs, which cannot finalise their budgets until after these consultations. A reliable expenditure framework emerges only in late May (i.e. one month before the start of the new fiscal year, which begins on 1 July) when the third budget circular, including final MTEF ceilings, is issued.
- Linkages between investment budgets, sector strategies and recurrent budgets are weak.
- Compliance with internal controls is reported to be problematic.

Organisational and human resources constraints

Performance contracts are in place for some accounting officers (senior civil servants of MDAs), although it is uncertain how these have contributed to overall budget performance.

Moving forward, there remain several organisational constraints over an accounting officer's ability to manage programme resources, especially for personnel. As programme managers, accounting officers face rigidities in staff numbers. Up until early 2013, a major focus of attention for staff has been on training them as planners for the new budget system.

Institutional constraints: political, legal and cultural

The budget and public financial management legislation was significantly modernised in 2003 with the introduction of new concepts, including the requirement of reporting on an output basis. A review of the legislation was ongoing in late 2012, with the intention of closing loopholes and consolidating earlier changes. In particular, the legal changes would regulate the use of a contingency fund and require approval of the annual budget before the start of the fiscal year. The Public Finance Bill of 2012 intends to advance the preparation process so that the annual budget is presented to Parliament by 1 April and approved by 31 May.

There is no formal managerial culture of performance, in the sense that good or bad performance is rewarded or sanctioned. The auditor-general conducts value-for-money studies, but these have not yet received much attention from the public accounts committee of Parliament.

Future prospects

There are good prospects of achieving improved revenue forecasting through a macroeconomic and fiscal model, which was expected to go live in October 2012 and be used in preparing the budget framework for 2013/14.

Lessons emerging

This case study shows that the introduction of PPBB requires considerable time and effort. Prior to 2007, efforts were made to improve macro-fiscal stability and introduce MTEFs. This provided a firm basis for introducing PPBB after 2007, a process that is ongoing.

Although applied across all MDAs and at higher-levels of some local governments, Uganda has tried to minimise performance indicators and avoid the complex activity-based approach. This is an important strategic decision, which has avoided spurious detail, particularly as several budget basics still require attention.

Essential lessons of wider value for other African governments have been identified in this case study (see Introduction above). Like other countries, including those in the OECD, Uganda is grappling with the challenge of linking performance indicators and targets to the amount of annual budget resources spent on budget 'programmes'. With a budget policy paper process firmly entrenched in government ministries, Uganda has a solid foundation for making further enhancements in PPBB implementation.

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3. Mozambique

Andrew Lawson & Luis Maximiano



Introduction

Mozambique initiated the current phase of PPBB reforms in 2008, through a first attempt to classify 'programmes' within the agriculture, education and roads sectors. The initiative was extended to the whole budget during 2009, which allowed for a presentation of all the government's 'programmes' in the executive's budget proposal for 2010. The primary motivation for the introduction of the programme concept was to find a way of demonstrating how the government was intending to implement its five-year plan. It was driven by the National Budget Directorate of the Ministry of Finance (DNO) with the strong support of the Ministry of Planning and Development (MPD).

The introduction of programmes has generated debate in Parliament and in the media about the five-year plan and about the links between the plan and the budget. In this sense, it has been successful in stimulating discussion about the results of government spending. However, as used in Mozambique, a programme is a planning concept rather than a genuine budget classification. In particular, programme-based plans cannot be mapped onto a set of budgetary appropriations. Annual budgets are neither appropriated nor executed according to programmes, and the accounting framework does not permit reporting against programmes. The notion of a programme is also not a managerial concept, in respect of which there exist identified programme managers who are held responsible for the results of their programmes. In practice, programmes are analytical categories akin to a functional classification of spending, as opposed to a mechanism of budgetary or managerial control. Given that programmes are used only during the budget formulation and adoption processes, and cannot be reported against, their value is somewhat limited.

A positive feature of the Mozambican case is that in contrast to many other African countries, where programme budgeting has been driven by external agencies and external technical assistants, the initiative in Mozambique is home-grown. Moreover, although it is driven by the DNO and the MPD, it responds to a political concern to link budgets and plans. If it could now be given a stronger technical and institutional form, the existing level of political ownership would give it a good chance of making significant progress.

The case study demonstrates four essential lessons of wider value for other African governments:

- Firstly, the notion of 'programme budgeting' is interpreted in different ways by different stakeholders. Deliberate efforts need to be made to inform political leaders, bureaucrats and citizens about the concept, so that a shared understanding of the objectives and use of PPBB can be reached at an early stage of development.
- Secondly, there is a genuine desire at the political level to link budgets to objectives and results. This desire needs to be nurtured and guided, so that a feasible technical response can be generated and institutionalised.
- Thirdly, the integration of planning and budgeting processes is a prerequisite for the successful introduction of programme budgets.
- Finally, the decentralisation of the authority to commit expenditure to programme managers is an integral part of programme budgeting. This requires the creation of an organisational and management hierarchy that has a clear place for programme managers. Thus, in order to be successful, programme budgeting reforms must address organisational and human resources issues, as well as the purely technical aspects of budgeting.

Motivations for and origins of PPBB

This section recognises that there is not a simple, single rationale for the adoption of PPBB, but rather a range of motivations from different stakeholders, with differing degrees of influence. By investigating the specific origins of PPBB in Mozambique, we can better understand how it has developed and the extent to which it is comparable to the experiences of other African countries.

Interpreting the concept of programme and performance budgeting

The application of 'programme budgets' in Mozambique suggests that this concept has been understood in three related, but essentially different ways:

- The MPD has promoted 'programmes' essentially as a top-down planning concept. For the MPD, the concept is a way of mapping budgetary operations up into the objectives stated in the five-year plan (and in the annual economic and social plan – the PES – which is effectively an annual 'slice' of the five-year plan). The DNO has bought into this planning concept and has worked closely with the MPD to define (from the centre) 137 'programmes', which could be grouped into 45 'strategic sub-areas' within 35 'strategic areas'. In turn, these can be grouped under the six central objectives of the five-year plan.¹ Mapping activities up into the five-year plan's objectives was, thus, the MPD's primary motivation. However, the resulting 'programmes' are somewhat abstract concepts; for the most part, they do not correspond in a clear way to organisational entities and in very few cases do they have identifiable programme managers.
- Some sector ministries – notably the ministries of health and of education – have tried to promote a more 'bottom-up' concept, conceiving of programmes as groupings of activities, comprising both projects and recurrent spending activities, for which they would be directly responsible. However, the resulting 'programmes' covered not only the activities in the 'parent ministry', but also the corresponding provincial and district departments. While still a planning concept, these ministries' idea of a programme was closer to a classic definition of a programme budget. However, it crossed three types of budgetary 'jurisdiction' – ministerial spending (ultimately under the financial responsibility of the minister), provincial and district spending (with the line of responsibility going up to the provincial governor) and externally financed projects (managed under a range of largely off-budget processes). Some aspects of this thinking are reflected in the 2012 version of the DNO's methodology for the classification of programmes in the 2013 budget. Again, it remains a planning concept, rather than an organisational framework or a mechanism of budgetary control.
- Various development partners providing support to the government's public financial management (PFM) reform programme have not fully understood that a programme is a planning rather than a budgeting concept in Mozambique. Most of the advice given to the authorities on the development of programme budgeting focused on explaining the classic models of PPBB, including by distinguishing 'performance-informed' and 'performance-related' budgeting. Exactly how to move from programmes as a planning concept to a more managerial conception of programmes has not been addressed directly.

The fact that these different conceptualisations of programme

¹ These six objectives are defined in broad terms: (i) good governance; (ii) peace, democracy and national unity; (iii) poverty reduction and economic development; (iv) poverty reduction and human and social development; (v) strengthening of international co-operation; and (vi) strengthening of national sovereignty.

budgeting have been held simultaneously has made it difficult to make progress in the institutionalisation of PPBB.

The underlying rationale and source of demand for introducing PPBB

As noted above, the primary rationale for programme budgeting in Mozambique has been to make a link between budgetary allocations and the five-year plan. The current framework allows the executive to explain what proportion of its proposed budget is intended to be allocated to each of the 35 strategic areas and six central objectives in the five-year plan. For the 2013 budget, ministries were also asked to specify the physical output targets that they intend to achieve in each programme. Not only will this feed into the process of budget negotiation, it will also allow for a subsequent aggregation of output targets to make the link with the strategic areas and central objectives of the five-year plan.

Up to now, programme budgeting has not been conceived of as a method of managing the expenditure of programmes, including reporting on their execution. Indeed, from the moment of budgetary approval onwards, the programme concept has no further role in the budgeting process. At the moment of approval by Parliament, the budget is appropriated by institution and economic classification. These two classifiers provide the basis for control of expenditure commitments and payments during the budget execution process. Quarterly expenditure reports and final accounts are also presented in this way. During budget execution, the expenditure control system does not prevent resources intended for programme 'A' from being diverted to programme 'B'; nor does the government accounting system permit a final report on spending by programme. Thus, at present, the programme concept serves only a rather limited function during the budget formulation stage.

Different directorates of central ministries intend to move beyond the current stage so that the programme concept also comes to be utilised for reporting and, perhaps at a later stage, as a mechanism of control during budget execution. Yet, this was obviously not the initial rationale for introducing PPBB, and it is not clear that an essentially top-down framework for analysing the executive's budget proposal in relation to the five-year plan will lend itself easily to these management and reporting functions. Would spending ministries and agencies even want to manage themselves utilising the existing programme categories? Would this be a practical way of organising spending so as to achieve their objectives? It is not clear that these questions have been asked, but if there is a genuine desire to move beyond a planning concept, these more 'bottom-up' perspectives will need to be incorporated. Similarly, revisions to the current PPBB system will need to include the perspectives of the agencies of budgetary control and reporting – the Inspectorate General of Finance (IGF) responsible for internal audit and control, the National Directorate of Public Accounts (DNCP) and the Tribunal Administrativo (TA), which is the supreme audit institution.

The source of demand for programme budgets has most definitely been internal, with its origins in the DNO and

subsequent adoption by the MPD. The staff of the president's office was also keen to establish a link between the budget and the five-year plan, responding in turn to an interest expressed at the political level within both the executive and the legislature.

Within the ministries of health and education, there have been initiatives to introduce a programme framework for the formulation and execution of their budgets. For some years, both of these ministries have been running a parallel system of budget formulation and execution based on a programmatic structure. In each case, these initiatives have been supported by development partners through sector-wide arrangements. Unfortunately, the budget programme structures of these two ministries are different to those established in the national budget by the DNO and MPD.

Apart from their support of these parallel initiatives in the health and education ministries, development partners have had very limited involvement in the introduction of programme budgeting. In 2010, the World Bank, the Department for International Development (DFID) and the European Union (EU) co-financed an external mission to comment on the development of Mozambique's programme budgeting process. The mission advised the authorities to consider some restructuring of the process, on the basis of a joint team approach involving sector ministries, as well as a wider range of central agency departments. Some wider consultations did occur as a result, but the central design has remained largely unchanged and continues to follow the model initially promoted by the DNO and MPD.

The strategy and approach adopted

This section considers the key choices made at each point in this process, the reasons for these choices and their consequences in terms of the PPBB system that has been created. So far, the approach has emphasised standardisation, with a number of programmes being common to several ministries, and with provinces and districts having virtually identical programme structures.

Leading stakeholders, management and communication processes and resources applied

The basic programme framework was developed by the DNO and MPD and was incorporated by them into the budget formulation module (MEO) of the e-SISTAFE integrated financial management system, with the assistance of the CEDSIF (Centre for the Development of Financial Information Systems), the PFM reform co-ordinating unit, and the e-SISTAFE team. Since 2007, the whole budget formulation process has been based on the use of the MEO. The inclusion of the additional template to present budget estimates by programme has been relatively straightforward.

Ad hoc consultation processes have been conducted at different points with other departments of the central agencies and with certain spending ministries and agencies. However,

no formalised structure has been established by which the DNO and MPD are able to obtain regular feedback and ideas from other stakeholders. Under informal arrangements, suggestions for improving the programme-based system are sent to the DNO and MPD at the central level, and to the Directorate of Planning and Finance (DPPF) at the local (provincial and district) level.

The development of a programme budgeting system has been financed predominantly through internal resources, as part of the normal process of annual updating of the budget preparation methodology, and of briefing spending ministries and agencies on the use of this methodology. The changes to the MEO of the e-SISTAFE system were effected partly via external consultancy support, provided through funding arrangements put in place for the development and roll-out of the e-SISTAFE system. It is virtually impossible to calculate the level of resources applied to the introduction of programme budgeting, but it is clear that they have been modest and, for the most part, supported directly by the central government budget.

The definition of 'programmes' and their incorporation into formulation, execution and reporting processes

As noted above, the programme concept in Mozambique is utilised solely at the budget formulation stage. It is not used for budget execution or reporting. Table 1 illustrates the programme structure of two strategic areas within the 'Poverty Reduction, Promotion of a Work Culture, and Economic Development' central objective.

The role of performance information

For the 2013 budget formulation process, all budget entities (ministries, departments and agencies, as well as provinces and districts) were directed to provide information on the targeted outputs of each of their programmes. The budget preparation methodology includes a definition of outputs, and guidance on the indicators to be used. A large number of standard outputs and indicators have been defined and included in the MEO of e-SISTAFE, although agencies are allowed to make proposals for new outputs or indicators. This was the first time that such information was included in the budget. At the time of writing, it was not entirely clear what format was to be used for its presentation to Parliament.

Given that there is not yet a mechanism for reporting on spending by programmes, it is clearly not possible to report on outputs actually produced during the process of budgetary execution. However, the 2013 budget formulation methodology requested agencies to report on the past level of production of outputs. Even if such information is difficult to verify, it is, nevertheless, perceived as a positive step forward. It was anticipated that the information would be used in the process of budget negotiation.

As the practice of defining output targets and reporting against them becomes more deeply established, the need to apply the programme concept throughout the budget cycle,

Table 1: Illustration of the programme structure in Mozambique

Classification	Code	Title
Central objective	DEC	Poverty reduction, promotion of a work culture, and economic development
Strategic area	DEC-AGR	Agriculture, fisheries, forestry and livestock
Strategic sub-area	DEC-AGR-00	Agriculture, fisheries, forestry and livestock
Programmes	DEC-AGR-00-AGR01	Administrative and institutional support
	DEC-AGR-00-AGR02	Agricultural production and productivity
	DEC-AGR-00-AGR04	Production for the market
	DEC-AGR-00-AGR11	Agricultural production
	DEC-AGR-00-AGR12	Agricultural productivity
	DEC-AGR-00-AGR13	Management of natural resources
Strategic area	DEC-AMB	The environment
Strategic sub-area	DEC-AMB-00	The environment
Programmes	DEC-AMB-00-MCA01	Administrative and institutional support
	DEC-AMB-00-MCA02	Environmental management
	DEC-AMB-00-MCA03	Land use mapping
	DEC-AMB-00-MCA04	Climate change
	DEC-AMB-00-MCA05	Inter-sectoral co-ordination
	DEC-AMB-00-MCA06	Environmental education & communication
	DEC-AMB-00-MCA07	Management of environmental controls

from formulation to execution, reporting, audit and evaluation, will become increasingly necessary. It also seems likely that as more performance information is demanded of spending agencies, they will become increasingly vocal in demanding participation in the definition of their programmes. In short, if programme-based output targets are to be used as a mechanism of accountability, it will become necessary for a more consultative, bottom-up programme structure to evolve. The DNO should seize this as an opportunity to update and revitalise the programme budgeting process.

Mechanisms and incentives used to encourage the participation of sectoral ministries and other central agencies

The degree of consultation outside of the DNO-MPD-e-SISTAFE nexus has been relatively limited. Essentially, the programme budgeting methodology has been developed at the central level and passed down to the spending agencies through the annual guidelines on budget formulation. Although there are opportunities for feedback from spending agencies during the budget formulation process, time constraints tend to limit the usefulness thereof. At this stage, spending agencies are already working hard to produce their budget proposals on time. The short, regular consultations are supplemented by occasional ad hoc consultations but, for the most part, this has

been a weak aspect of the process. As more performance information is demanded by the central agencies, there is likely to be a more active engagement of spending agencies in the design of programmes and their corresponding outputs.

The extent of parliamentary and civil society participation

Staff of the MPD and DNO have indicated that the use of a programme format for the presentation of the executive's budget proposal to Parliament has been strongly welcomed by Members of Parliament (MPs). However, no formal consultation has been held with either Parliament or civil society regarding the programme budgeting approach.

Results obtained compared to expected outcomes

This section provides a brief assessment of what has actually been achieved against the plans originally established for PPBB. It also considers the various changes in budget processes to incorporate programme budgets.

The outputs initially planned and actually achieved

To date, no comprehensive plan or 'route map' for the introduction of programme budgeting has been prepared. It

was intended to introduce programme budgets on a pilot basis for the agriculture, education and roads sectors in 2008 and to extend the programme classification to the whole budget by 2010. Both of these targets were achieved, but essentially through a process in which programmes were defined at the central level by the DNO, in collaboration with the MPD and line ministries, following a structure initially recommended by the external technical assistants working on the e-SISTAFE.

In the absence of a formal plan for the introduction of programme budgeting, it is not clear if it was conceived from the outset that the concept should be applied throughout the budget cycle (including execution, reporting and audit) or only at the budget formulation phase. The limitations of applying the concept only at the formulation stage are clear to most stakeholders. Although the intention to introduce programme budgeting into other phases of the budget cycle is now clearly stated, no plan has yet been formulated for its implementation.

Changes achieved in the processes of budget formulation, execution and reporting

A programme classification has now been used for three years within the budget formulation phase. This is too short a period to expect any significant changes to have been generated. Indeed, there are no signs yet of any improvements in the efficiency of resource allocation, with allocations to the designated priority sectors having fluctuated at around 60 per cent of total public expenditure since 2008. Given that programmes are not yet used in the budget execution process, their introduction has not yet brought any change in terms of the management of spending, such as increased decentralisation of spending decisions or increased flexibility in allocations across economic categories of spending.

However, the relationship between budget allocations and the objectives of the five-year plan is now a regular matter for discussion within the budget formulation process, whereas previously it was not. Discussions have become more routine, and ministers and MPs have come to demand more information about targeted outputs and outcomes. Very gradually, a more results-focused budget discussion is emerging. Also, there has been increased transparency in the budget allocation process.

Drivers and inhibitors of progress

This section considers the principal drivers and factors that have supported or hindered progress in the introduction of PPBB. It also assesses the main constraints related to technical factors (notably, the sequencing of PPBB reforms), to organisational and human resources issues, and to institutional issues. Finally, it makes an assessment of the prospects for the future of PPBB reforms.

The main drivers of progress

Internal pressures have created more clear-cut linkages between the planning and budgeting processes, which have driven the introduction of programme budgeting in

Mozambique. The MPD and DNO have been at the forefront of this process, with the strong backing of the executive, and increasing support from the legislature. While some sector ministries (such as education and health) have voiced complaints over their limited input into the definition of programmes, no ministry or agency has resisted the introduction of programme budgeting. Even the health and education ministry staff expressed optimism over the likely evolution of PPBB in the future. The strong internal support for PPBB reforms seems likely to be sustained, at least in the medium-term.

For the most part, development partners have been relatively passive observers of the programme budgeting reforms. The World Bank, DFID and the EU co-financed a review of the process in 2010, and have declared their willingness to provide additional support if necessary. However, they have had no significant influence over the process to date.

Technical constraints: problems relating to the PPBB time frame

To date, programme budgeting processes have involved only the formulation phase of the budget. If a new PPBB system is to become genuinely influential, it will need to be implemented in the processes of budget execution, reporting, audit and evaluation. Programmes would need to provide the framework around which expenditure would be organised and managed, at least in relation to the areas of government spending activity where programmes can be formulated. This would require the management of financial and human resources to be transferred increasingly to the responsibility of programme managers, who would be held accountable for all aspects of budget programme management, including the preparation of *ex-post* annual performance reports.

Another technical constraint that requires attention relates to budget credibility and predictability. Despite the fact that Mozambique's revenue collection has generally been very close to forecasts, scoring an 'A' against the corresponding PEFA performance indicator PI-3 in 2010, and that aggregate non-interest expenditure has also tended to be close to that budgeted, scoring a 'B' in 2008 and an 'A' in 2010 against PEFA indicator PI-1, large-scale discrepancies in the composition of the expenditure out-turn relative to the budget have been common over the last five years (the corresponding PEFA indicator PI-2 scores being a 'C' in 2008 and a 'D' in 2010). Given that revenue collection and grant disbursements have been close to projected levels, and debt servicing has been close to budget, there is no external shock that explains this phenomenon. Therefore, there can be only two potential explanations for the continuous changes in agency allocations during the process of budget execution – either expenditure needs have been badly estimated and, therefore, mis-budgeted, or new expenditures have been introduced consistently into the budget during the process of execution. Unless these flaws in the budgeting process are corrected, the future funding of specific budget programmes will always be subject to significant fluctuations. Under these conditions, it

will prove difficult to develop consistent programme estimates with correspondingly consistent programme outputs.

Organisational and human resources constraints

Organisationally, the most urgent need for change in the management of programme budgeting is a shift in its focus from a top-down planning process to a bottom-up managerial and reporting process. If budgets are to be executed by programmes, and institutions are to be held to account for the results generated through those programmes, then programme structures need to represent the way institutions organise their activities and 'production processes'. These institutions need to use programmes as the framework for control and management. For this to happen, institutions need to 'own' their programmes, shaping their definitions and structures to their own needs and requirements. This requires the DNO to manage a consultation process with spending agencies and open up the possibility for adjustments to programme definitions. Given that programmes are defined at the institutional level, a 'customisation' of programme definitions should not prove excessively complicated. Clearly the DNO will need to provide guidance on such modifications.

The second organisational change required is to begin to identify and nominate programme managers, who would have exclusive responsibility for the management of budget operations, including the commitment of funds from the appropriations of each programme. At present, the expenditure commitment function is exercised by the financial administration directors (DAFs) of each institution or agency. The creation of managerial autonomy for programme managers would require the decentralisation of the commitment function, while retaining responsibility for internal control and accounting with the DAF. Clear reporting responsibilities would also need to be developed for programme managers, so as to establish a clear framework of accountability. The design of these processes and the preparation of the corresponding manuals, procedures and formats would take time and is probably best done on a phased basis. The exercise could first be piloted in a selected number of ministries, and then rolled out gradually to other ministries. It may not be appropriate for all programmes to be managed in this way, and the option of retaining certain programmes under the responsibility of the DAF should probably be retained.

The development of effective programme managers and of the support staff necessary to facilitate good programme management represents a significant human resources challenge. Training would be important, but training alone is insufficient. Due attention needs to be given to recruitment and selection procedures, as well as to the design of appropriate incentives. The scope of the human resources elements of a full-blown programme budgeting process should not be underestimated and due allowance would need to be included in a comprehensive action plan and 'route map' (discussed below).

Due attention needs to be given to recruitment and selection procedures, as well as to the design of appropriate incentives.

Institutional constraints: political, legal and cultural

The changes to expenditure commitment responsibilities, as described above, would certainly require revisions to financial regulations and possibly also to the Financial Management Act of 2002. Legal or regulatory revisions may also be required to permit changes to programme structures and definitions.

Deep-seated changes may be needed at the institutional and/or cultural level. A shift to a genuine results-based culture of accountability would entail major changes in attitude. There is no reason to believe that such changes could not be gradually introduced, so long as due attention is given to training and human resources development, as well as to communication and consultation processes.

Future prospects

If the DNO and MPD can embrace a more consultative approach to the development of programme budgeting, adding some 'bottom-up' elements to the necessary 'top-down' discipline and direction, there is no reason why programme budgeting should not be successfully extended into other phases of the budget execution, reporting, audit and evaluation cycle. As this happens, tangible benefits of PPBB can be expected. Such a change needs to be embraced quickly, however, because so long as programme budgeting is limited to the formulation phase, the benefits will remain modest and the transaction costs relatively high, which will generate the risk of opposition to the PPBB reforms. For the moment, there remains strong ownership and commitment to the process, which gives a solid base for progress.

To build on this strong ownership, an obvious initial step towards consolidating the reforms is the formulation and approval of an appropriate action plan and route map. Those leading the reforms from within the DNO and MPD do not have past experience of reforms of this kind, and may not easily be able to construct a complete route map for a full introduction of programme budgeting. External technical assistance may be needed for developing a comprehensive route map, without which further PPBB reforms could be haphazard. There are important choices to be made in developing a comprehensive programme budgeting process, and early consideration of the different options and trade-offs is likely to assist subsequent implementation.

Lessons emerging

This case study demonstrates four essential lessons of wider value for other African governments:

- First the notion of ‘programme budgeting’ is interpreted in different ways by different stakeholders, and efforts need to be made to inform political leaders, bureaucrats and ordinary citizens about the concept, so that a shared understanding can be reached at an early stage of development.
- Second, the desire at the political level to link budgets to objectives and results needs to be nurtured and guided, so that a feasible technical response can be generated and institutionalised.
- Third, the integration of planning and budgeting processes is probably a prerequisite for the successful introduction of programme budgets.
- Finally, in order to be successful, programme budgeting reforms must address organisational and human resource issues, as well as the purely technical aspects of budgeting.

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4. Burkina Faso

Idrissa Ouédraogo



Summary and purpose of the case study

Performance and programme-based budgeting (PPBB) was first launched in Burkina Faso in 1997 and used for preparing the central government budget for the 1998 fiscal year. Between 1998 and 2009, the process went through various stop-start phases: there were periods of lethargy punctuated by attempts at revival. As a result, the PPBB reforms had mixed results. Although some budget actors became familiar with PPBB concepts, others did not see the PPBB reforms as useful.

In 2007, the National Assembly issued a recommendation that PPBB be made effective as soon as possible. In 2009, the West African Economic and Monetary Union (WAEMU) adopted a directive for new organic budget laws (OBLs) that requires a PPBB system to be fully implemented by 2017 in each member state. As a result of these two initiatives, the authorities are endeavouring to accelerate PPBB implementation. Changes were made in the governance structures for PPBB implementation, to make them more inclusive of all budget actors. Clear guidelines on PPBB concepts and a PPBB implementation strategy have been prepared. Many budget actors are now familiar with PPBB concepts, thanks to training efforts by the PPBB Technical Secretariat, whose resources have been augmented by the government.

Although programme budgets have been prepared in several ministries, the annual budget appropriations are still based on the traditional line-item structure. Also, budget programme managers are yet to be appointed. This will be an important step in enhancing accountability for performance and ensuring that, in a few years' time, annual performance reports will be prepared for each budget programme.

The major challenges in late 2012 for PPBB implementation included: lack of skilled personnel for PPBB implementation, including IT specialists for computerising budget execution based on budget programmes; political leadership to push PPBB reforms, including the adoption of a new legal framework (for which drafts existed); and institutionalisation of a performance mentality in all budget actors.

This case study highlights six lessons that could be useful to other African governments:

- First, the introduction of results-based budgeting should be an internal initiative. There should be a real desire on the part of the country's authorities to introduce PPBB.
- Second, PPBB needs strong commitment at the political and technical levels. Public finance reform for greater efficiency and transparency requires a joint effort by the executive and legislature. Substantial efforts are needed to ensure that political leaders buy into PPBB.
- Third, introducing results-based budgeting is a long-term process, and carrying it out needs rigorous planning and the participation of all major stakeholders. In view of the complexity and scope of the reform, it is essential to have an overall vision of all the stages, with their constraints and advantages, before venturing into them. Good communication and awareness by all stakeholders of the benefits of the reform can contribute to gaining their support and commitment to the process.
- Fourth, results-based budgeting assumes the prior institution of a certain number of tools, including, most importantly, a national planning document (a poverty reduction strategy paper or sustainable growth and development strategy), an overall medium-term expenditure framework (MTEF) and very good sectoral strategies.
- Fifth, the PPBB reforms need the support of a country's technical and financial partners, for financing actions and sharing experiences.
- Sixth, it is preferable to combine the reform of public finance with the reform of public administration. This could be done by strengthening the team in charge of piloting PPBB with officials from the ministry responsible for public administration.

Motivations for and origins of PPBB

Burkina Faso has had significant experience in public financial management (PFM) reform. In the 1990s, PFM reforms were driven by the International Monetary Fund (IMF) and the World Bank, within the framework of structural adjustment programmes (SAPs) and the country's efforts to comply with WAEMU's convergence criteria (fiscal rules). In the late 1990s, there was greater interest in budget outcomes, which resulted

in the adoption of new devices including the MTEF in 2000, public expenditure reviews and programme-based budgeting.

Interpreting the concept of PPBB

To ensure that the various stakeholders who draft and implement programme-based budgets have a common understanding of its most important concepts, the guidelines for implementing a programme-based budget proposed the definitions set out in Table 1.

These PPBB concepts have been understood in three related but fundamentally different ways:

- The budget is constructed around programmes representing clearly defined public policies. Under this approach, the budget is turned into a device for implementing public policies, and for specifying more clearly the purpose of each public policy.
- The allocation of resources is linked to a performance contract between Parliament and the beneficiary ministries. This performance contract is passed on within a ministry down to the various reporting levels.
- A programme-based budget goes hand in hand with full accountability of budget actors and greater flexibility in budget execution procedures for increased efficiency, in exchange for enhanced accountability for performance at the end of the period.

The underlying rationale and source of demand for introducing PPBB

The concept of programme-based budgeting was first put forward by the government in 1997 to improve the quality of public service delivery by means of this reform. However, the PPBB reforms did not produce the successes hoped for in the beginning, mainly because of inadequate technical skills and the poor organisation of budget actors. There was also an absence of planning for the change. All these reasons led Parliament to take over the reform through a strong recommendation in 2007 to the government that it speed up the implementation of programme-based budgeting. Technical and financial partners have been stakeholders in the process since 2005.

Besides the influence of Parliament, after 2007 there were other pressures to adopt PPBB. Pressure was exerted by WAEMU to adopt six approved directives, all of which should become fully effective by 2017. WAEMU's organic budget law (OBL) directive obliges all member states to change to programme-based budgeting by 2017 (see Annex 3 of Part A for key features of the directive). Tacit pressure has been exerted by certain technical and financial partners who brandished the results-based management of the Paris Declaration as a reason for adopting PPBB. Some multilateral partners, such as the African Development Bank, the IMF and the European Union, stepped up their support for the PPBB reforms. To a lesser degree, popular protests, which had

Table 1: Important PPBB concepts in Burkina Faso

Concept	Definition
Ministry or institution	A ministry or institution is vested with an overall mission, which indicates what this organisation does and for whom it does it. The overall mission may be expressed in the form of a more targeted set of objectives that can act as a basis for dividing the ministry's activities into programmes that contribute to the implementation of a sectoral policy.
Programme	The term 'programme' refers to a coherent set of actions/projects associated with specific objectives. Its goal is to achieve the overall objectives of a sectoral policy. A programme is a framework establishing a logical link between objectives, outcomes/outputs and activities. Hence all programmes of a particular ministry contribute to achieving its mission. In terms of budgeting, programmes correspond to funding appropriation units, with a sub-ceiling for staffing expenditure. Programmes are grouped together within missions, which may be ministerial or inter-ministerial in scope. In terms of accountability, a programme defines responsibilities for implementing public policies.
Ministerial programme-based budget	A programme-based budget is a framework for scheduling, budgeting and evaluation which puts the accent on the relationship between budget allocations (amounts allocated) and outcomes. A ministerial programme-based budget includes all the programmes of the ministry and allows ministerial policy and strategy to become operational. A multi-year expenditure framework has to be adopted by the National Assembly and this is done for each individual programme.
Programme operating budget (POB)	A programme is broken down into operational programme-based budgets that correspond to administrative units, which are given budget and management responsibility within a programme. The POB includes operational performance objectives as decided during discussions with the programme manager who allocates resources to them. The person in charge of a POB is responsible for putting together a draft budget in accordance with the objectives determined, and is also responsible for its proper execution.
Programme operating unit (POU)	A POU is the section corresponding to a POB that implements the part of the programme for which it is responsible. The unit manager does not systematically fall under the hierarchical (administrative) authority of the programme manager.
Objective	An objective is the goal determined for an action or a set of actions. It indicates the expected outcomes of actions undertaken with a view to accomplishing the purpose of the programme. It should be measurable by means of accurate and concrete indicators. One can distinguish the following: <ul style="list-style-type: none"> ▪ Strategic national objectives, which are at the top of the pyramid of objectives. They translate the major priorities of the country and are expressed in fundamental strategic documents such as the PRSP, MDGs, etc. ▪ Programme objectives: these are limited in number and express the public policy strategy embodied in programmes as well as determining broad policy priorities. They are selected on the basis of national strategic objectives.

become more frequent, and with calls for greater social justice, attest to a desire for greater accountability of office bearers.

This fresh impetus changed perceptions concerning PPBB at sectoral level, where, for the most part, it had not been taken seriously. Prior to 2007, PPBB was not seen by ministries as particularly useful, as the initial programme-based budgets were not discussed at Cabinet level.

The strategy and approach adopted

Introducing programme-based budgeting has evolved over 15 years. Programme-based budgeting was first introduced through Budget Circular N° 97-054/PRES of 26 May 1997 pertaining to the preparation of the 1998 budget law. The decision to introduce programme-based budgeting was justified by the authorities' desire to turn the budget into a useful tool for economic and social development. At that time, the approach was intended to be gradual.

Initially six ministries were identified to pilot programme-based budgets.¹ The rolling out of the PPBB approach started in 2000. MTEFs were seen to complement the results-oriented approach. However, programme budgets were very quickly rolled out before the lessons from the initial pilot phase had been properly learned. From 1997 to 2009, the PPBB reform made progress, but it also had several shortcomings that have impeded its progress. Inadequacies include the following: insufficient consultation with the majority of budget players in the programme-based budgeting approach; absence of reference materials on PPBB; lack of an overall strategy for PPBB implementation; and absence of a clear steering committee structure and regulatory texts.

It was only after 2009, when it was decided to draw up a strategy, that PPBB reforms went through a revival, for which there were three essential components.

First, interest was focused on institutional aspects, with the establishment of a national programme-based budget reform steering committee (*CP/BPE: Comité du Pilotage du Budget Programme de l'État*), which is backed by a technical secretariat (ST/CP-BPE). The CP/BPE consists of representatives from ministries and institutions. Steering committee members are generally represented by secretaries general or ministerial advisers and chairpersons of institutions. The ST/CP-BPE, which is chaired by the minister of the budget, consists of some 40 members who are secretaries general or technical advisers from approximately 40 ministries and institutions. In addition, representatives from local communities, vocational training colleges and civil society are represented on the steering committee. The committee meets quarterly in an ordinary session to assess the progress of reform initiatives. At sectoral level, subordinate units called 'ministerial programme-based budgeting units' have been established. In addition to these structures, there is a panel of persons who have

experience in planning and results-based budgeting. The work of the secretariat is approved by the steering committee, which provides regular progress reports to the Cabinet on how the work is getting on.

The ST/CP-BPE, which is dedicated exclusively to implementing programme-based budgeting, consists of five experts, who are senior civil servants and come from various divisions in charge of planning, budgeting and evaluation/monitoring of public policies, and four support staff. The ST/CP-BPE provides support to ministries and institutions in respect of:

- defining programme-based budgeting, which takes the form of training and awareness activities, by providing technical support and by structuring programmes into actions;
- drafting annual programme performance projects; and
- drafting pilot programme-based budgets.

Second, the focus was placed on technical aspects, with the drafting of new reference documents. The purpose was to provide budget actors with a common understanding of programme-based budgeting concepts and tools. The following documents were drawn up:

- *Le Document d'Orientation du Budget Programme* (programme-based budgeting guide) was adopted by the Cabinet on 16 June 2010. This document defines the main concepts and guidelines for drafting, implementing, monitoring and evaluating programme-based budgets are also proposed.
- *La Stratégie d'Implantation du Budget Programme de l'Etat* (national programme-based budgeting implementation strategy) was adopted by the Cabinet on 15 February 2012. This document proposes a strategic and operational approach to the introduction of programme-based budgeting. It also proposes a table for the transition from line-item budgeting to programme-based budgeting, and a standard guide to carry out this transition. The document also provides suggestions for programme-based budgeting for six ministries.
- *Les Guides Méthodologiques d'Élaboration, de Suivi et d'Évaluation du Budget Programme* (methodology guides on drafting, monitoring and evaluating programme-based budgeting). Two guides were drawn up: a full methodology guide on drafting, and a guide on monitoring and evaluating programme-based budgets. These documents define the most important concepts how a ministry can be structured into programmes, how a programme is broken down into actions and how to use programme performance tools.

Third, a participatory approach has now been adopted and involves all ministries and institutions, civil society, technical and financial partners and Parliament. There is a particular emphasis on communications with and awareness-raising in role-players at all levels.

¹ The six Ministries were the Ministry of Finance and Economic Affairs (finance department), the Ministry of Health, the Ministry of Basic Education and Literacy, the Ministry of Secondary and Tertiary Education and Scientific Research, the Ministry of Defence and the Ministry of Territorial Administration (security section).

With the drawing up of a PPBB strategy and specific activities for 2010–2015, the sequencing of reforms seems coherent and technically feasible (Annex 2 sets out specific benchmarks to be attained).

Leading stakeholders, management and communication processes and resources applied

The revival of the process was entrusted to the ST/CP-BPE, which co-ordinates all PPBB-related activities through a three-year programme. The government provides some financing for the activities, and technical and financial partners make a very significant contribution.

The adoption and implementation of programme-based budgeting will change reporting lines and responsibility for the execution of public expenditure. The PPBB guidelines identify the following main budget actors:

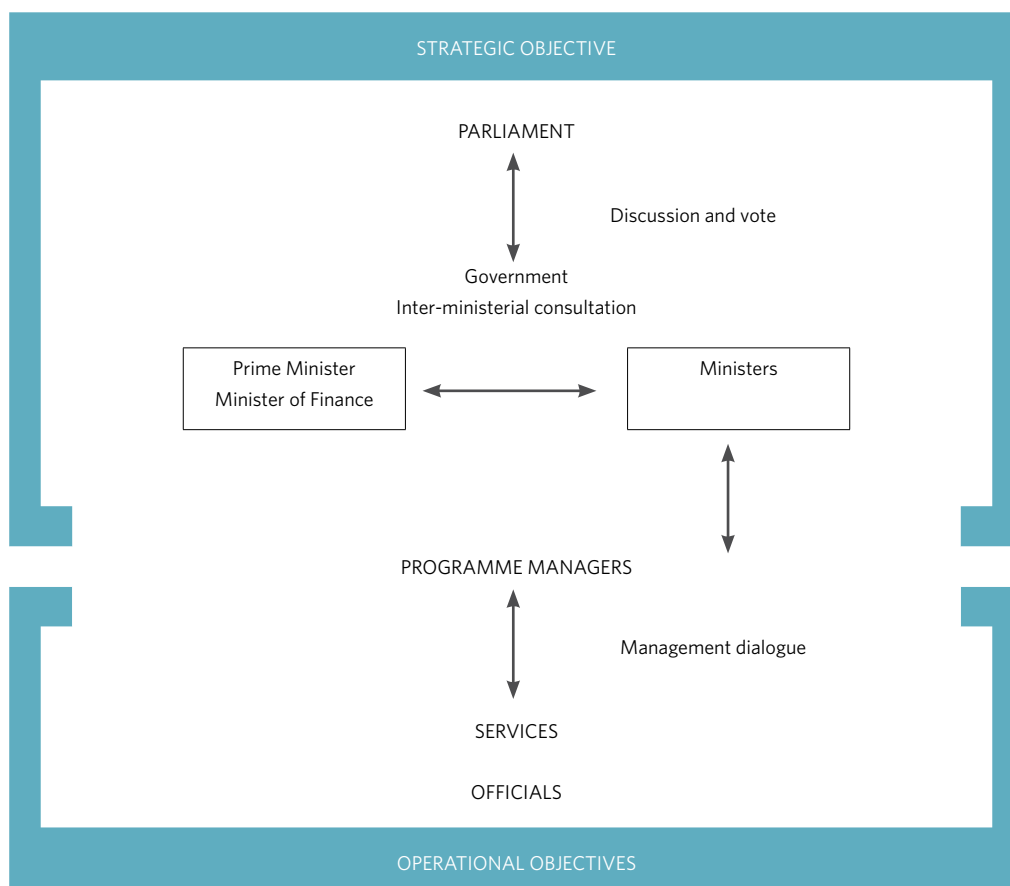
- A programme manager, who, once appointed, is responsible for piloting his/her budget programme. He/she participates in drafting strategic objectives for the

programme and oversees the operational implementation and achievement of objectives. He/she is responsible for the administration of the programme's budget appropriations and for making transfers of spending categories within programme appropriations during budget execution within the restraints of the OBL. (Transfers may be made from salaries to non-salary expenditure within a programme, but not the reverse. This is what is meant by asymmetric fungibility in Figure 2.) The programme manager may delegate powers to the head of the POB to be implemented through the POU.

- Ministries and chairpersons of constitutional institutions who are the main authorising officers for the budget appropriations allocated to their ministry or institution.
- The minister of finance, who, over and above being responsible for his department, is responsible for centralising the budget operations of other authorising officers.

The chain of dialogue between the role-players is shown in Figure 1.

Figure 1: Chain of dialogue between role-players in the programme-based budgeting process



Source: MoEAF (2010a).

The definition of programmes and their incorporation into formulation, execution and reporting processes

Programmes have been defined in accordance with the relevant WAEMU directives. Nationwide workshops, with the participation of local and international experts, resource persons from ministries and institutions, have been held on defining programmes. The scope of a programme is ministerial, and there are no programmes that cut across ministries.²

Based on the 2009 WAEMU directives and the lessons learnt from experience in implementing programme-based budgeting in Burkina Faso, a new architecture was proposed for programme-based budgeting. The main features of this architecture are described in Table 2.

Budget programmes are generically structured around missions, programmes, actions and/or projects and activities (see Figure 2). Figure 3 illustrates how this structure is applied in the Ministry of Secondary and Tertiary Education.

The role of performance information

Performance information is being developed to allow budget actors to use this information as a scoreboard for budget programme implementation. In the guidelines for establishing PPBB, a monitoring and evaluation tool is proposed. The guidelines indicate that a programme manager should produce an annual performance report, which will be subject to external auditing (by a court of accounts). Furthermore, monitoring

and evaluation will eventually take place at three different levels: national, ministerial and programme.

Mechanisms and incentives used to encourage the participation of sectoral ministries and other central agencies

The mobilisation strategy of sectoral ministries is based on the degree of their involvement through their secretaries general serving on the national steering committee, and on the dynamism of the ministerial units that fall under the Secretary General (these units include a technical adviser to the minister who reports to the latter regularly). Sectoral ministries are also involved in PPBB activities, and receive financial support from the ST/CP-BPE for their operations. To ensure the buy-in of all role-players, the ST/CP-BPE has drafted a communications strategy in order to provide information on and raise awareness of PPBB processes. Nearly 6 000 budget actors from various structures are targeted.

The extent of parliamentary and civil society participation

The degree of participation by Parliament and civil society is still relatively low from an operational point of view. In theory, for programme-based budgeting to be implemented, Parliament would allocate the relevant appropriations to programme-based budgets, and civil society would monitor and question the government on the performance of ministries.

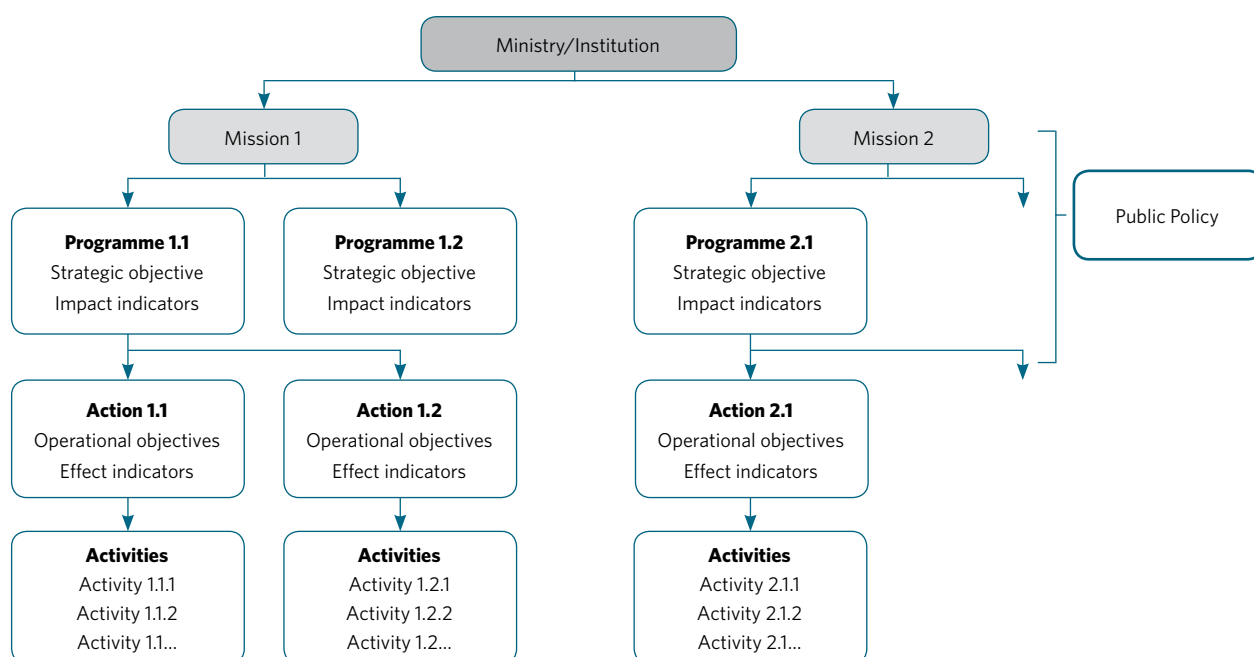
Table 2: Features of programme-based budgeting in Burkina Faso

Features	New vision for programme-based budgeting
Time frame	3 years
Sphere of programme-based budgeting	Ministry
Architecture of programme-based budgeting	1. Ministry/Institution a) 7 programmes per ministry b) 2 programmes per institution 2. Programme a) 1 strategic or overarching objective per programme 3. Actions/Projects a) 10 actions at most per programme b) 1 operational or specific objective per action
Type of budgeting	Results-based
Voting unit in Parliament	Programme
Specification of appropriations	Programme
Nature of the legislation	Law
Appropriations carried over	Yes, within certain limits
Fungibility	Asymmetric fungibility
Ex-ante control	Relaxed
Ex-post control	Increased

Source: State programme-based budgeting implementation unit.

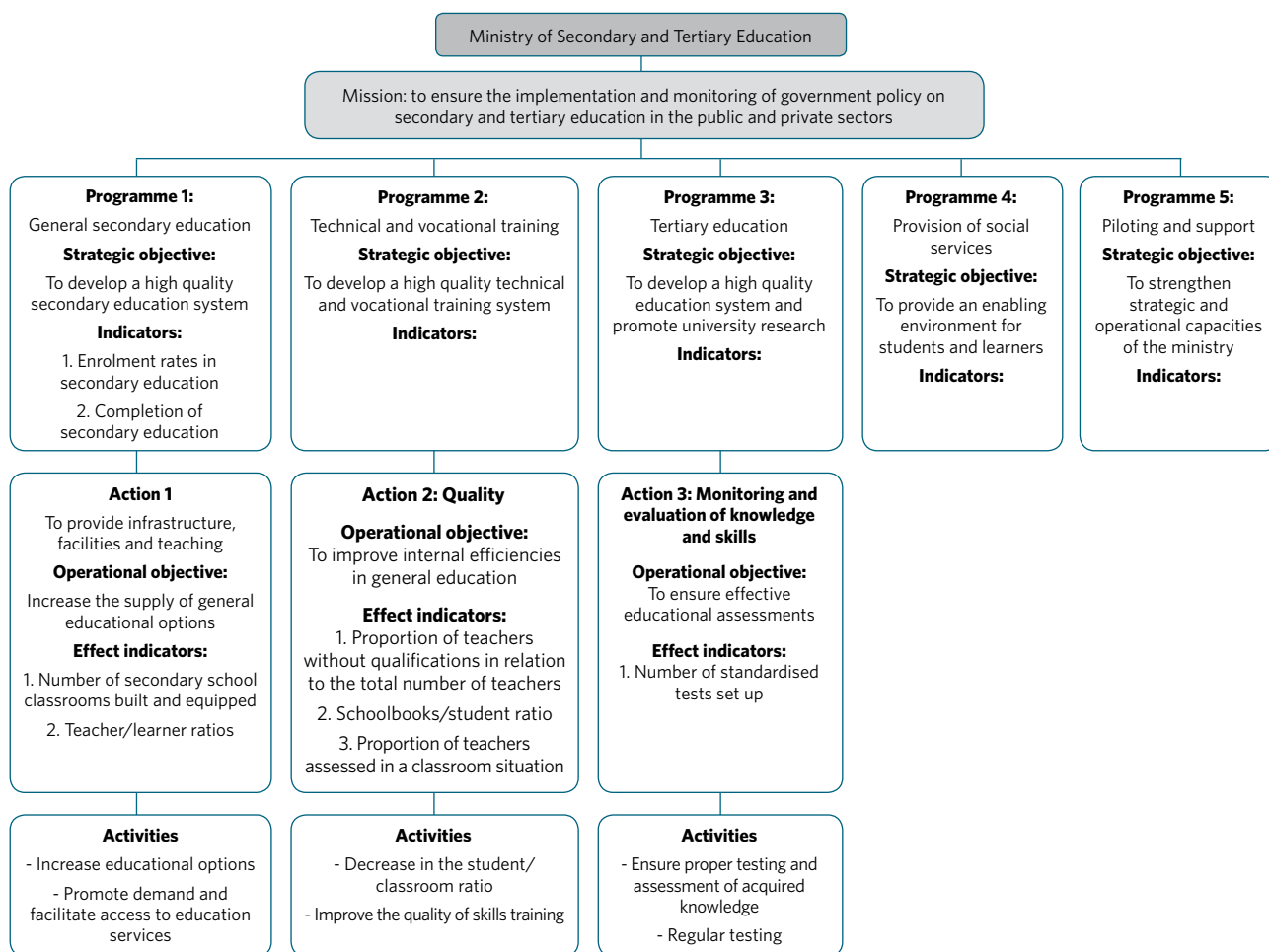
² In this respect, the WAEMU directive on OBLs differs from that of France, which allows some programmes to cut across ministries. France's approach requires considerable inter-ministerial co-operation.

Figure 2: Architecture of programme-based budgets as from 2010



Source: MoEAF (2010a).

Figure 3: Architecture of programme-based budgets in the Ministry of Secondary and Tertiary Education



Source: Author, based on the draft programme-based budget for 2013-15 for the Ministry of Secondary and Tertiary Education.

This is not yet the case. Nonetheless, Parliament was an important participant in drafting certain framework documents for the monitoring and evaluation of programme-based budgeting. The *Commission des Finances et du Budget* (COMFIB, the finance and budgeting standing committee) of the National Assembly provided inputs to these documents.

Since 2009, civil society has been involved extensively in monitoring and promoting reforms. Civil society is represented by a member on the national PPBB steering committee. Also, the technical secretariat on PPBB implementation has provided training for the representatives of some 20 civil society organisations through the *Centre d'Information et de Formation et d'Études* (CIFOEB, the Information, Training and Research Centre). The training includes developing a good understanding of programme-based budgeting, and sharing experiences in drafting, executing and auditing programme-based budgets with forerunner countries (e.g. France and Mali).

Outcomes achieved versus outcomes expected

This section evaluates the outcomes of PPBB as compared to the original plans. It takes into account achievements (the immediate outputs of PPBB reforms) as well as effects (changes corresponding to the budgeting process and benefits obtained).

The outputs initially planned and actually achieved

Three milestones occurred between 1997 and 2010:

- 1998: the introduction and piloting of programme-based budgeting in six ministries;
- 2000–2005: the start of the roll-out and introduction of the overall MTEF to serve as a framework for drafting programme-based budgets; and
- 2005–2009: the revival of the process with greater political will.

During this period there were some successes. Table 3 summarises the most important achievements to date compared to the original plans.

It was expected that the strategy would bring about improvements in PFM, in general, and in the process of resource allocation and accountability, in particular. However, given that PPBB was still in the piloting stage and had not yet been implemented in late-2012, it is impossible to establish whether any improvements have been made in resource allocation and management processes. One cannot really speak yet of the implementation of programmes and, even less, of performance reports.

However, the following direct and indirect advantages of programme-based budgeting can be identified:

- The programme-based budgeting document is sometimes used by technical and financial partners for the disbursement of funds. For example, in the checklist

issued jointly by the government and its technical and financial partners (TFPs) on the strategy for strengthening public finance in 2011, two priority measures were assigned to the technical secretariat. The first dealt with the drafting of the strategy document, procedures manual and guidelines, and the second related to the preparation of programme-based budgets (2012–2014) in ten ministries and institutions. These two measures were preconditions for the disbursement of funds by the African Development Bank.

- It is a tool for mobilising resources by some sectoral ministries (e.g. Ministry of Health, Ministry for the Youth). Ministries use these documents as advocacy tools with some TFPs to fund their activities. For example, in 2011, the Ministry for the Youth, Vocational Training and Employment received funding from the International Labour Organisation on the basis of its programme-based budget.
- It assists with the planning process of sectoral ministries, as it clarifies the content of the programmes and indicators. Each programme is accompanied by a performance tool, which consists of strategic objectives measured by impact indicators, and operational objectives measured by outcome and activity indicators. These performance frameworks allow for better targeting of interventions and better measurement of outcomes by ministries.

Changes achieved in the processes of budget formulation, execution and reporting

Currently, the programme-based budgeting process does not affect budget management at all, as line-item budgeting continues to be used when it comes to execution. In most cases, behaviour has remained unchanged in terms of budgeting, even though some ministries do take the indicators of the various programmes into account when allocating resources.

Wider effects on service delivery and on accountability to the public and to Parliament

The introduction of programme-based budgeting in its current form has had a considerable impact on the setting of service delivery targets: the process has enabled ministries and institutions to set medium-term targets (also referred to as operational targets) and long-term or strategic targets. Ministries can distinguish between immediate outcomes and outputs, and their impacts.

Greater attention to outcomes is evident in discussions around the *ex-ante* budget. However, this is less evident regarding the achievement and the monitoring and evaluation of outcomes.

Parliament and civil society are showing a growing interest in results-based management and, especially, programme-based budgeting. In Parliament, MPs often pose oral questions on PPBB issues to the minister of finance and economic affairs. MPs have also requested training in programme-based budgeting.

Civil society seems to have a better understanding of budget-related issues, especially through training and

awareness campaigns. Furthermore, budget information is translated into the local language, which renders the budget more accessible to a larger section of the population.

Drivers and inhibitors of progress

The eventual shift from line-item budgeting to programme-based budgeting will require major changes in PFM, with consequences for the technical, human resources, managerial and political spheres. There are several drivers and inhibitors of progress.

The main drivers of progress

The programme-based budgeting process was piloted by the MoFEA through a steering committee chaired by the minister responsible for the budget, assisted by a technical secretariat responsible for dealing with technical issues. The National Treasury and Public Accounts Directorate have been entrusted with reviewing the legal and regulatory framework, and the National Directorate of IT Services is responsible for customising the computer systems. This allocation of tasks has made the process easier by allowing each structure to concentrate only on its area of competence, while contributing towards achieving the common outcomes of the process.

In recent years, the government has also shown commitment to the PPBB reforms, including by:

- allocating significant resources for PPBB implementation, including for the operational budgets of the national committee and its technical secretariat;
- allowing the technical secretariat to undertake activities aimed at implementing PPBB, such as conducting studies on PPBB implementation and employing consultancies;
- providing high-level training for the members of the secretariat, on the understanding that they will stay in their position for a considerable period of time; and
- restructuring some ministries, in particular, the MoFEA, to better address programme-based budgeting.

Technical constraints: problems relating to the PPBB time frame

The technical aspects related to the customisation for Burkina Faso of the budget-related WAEMU directives seem to be in place, but the pace at which the documents are being adopted at the political level may negatively affect the sequencing of activities and might increase the risk of not meeting the community-wide PPBB implementation deadline of 2017. Some directives, particularly the directive on the OBL and the directive on budget classification, should have been adopted in 2012. However, as of end-2012, no directive had been adopted, although, on a technical level, the draft texts had been prepared. This situation indicates the possibility of not respecting the objective of introducing pilot national programme-based budgeting at least one year before the deadline set by WAEMU.

There is also a risk that PPBB implementation may be stalled owing to delays in the IT sector, a determining factor for budget execution. Existing computer applications were

designed for line-item budgeting. The shift to programme-based budgeting requires that these applications be adapted. In late-2012, progress in adapting computer applications was not as advanced as other aspects of PPBB implementation.

Organisational and human resources constraints

Considerable efforts have been made to involve all players interested in PPBB reforms; this augurs well for the reform process. However, the human resources constraints are enormous, the most important of which is related to the mobility of skilled staff. This constraint is particularly severe when it comes to IT specialists and statisticians, where the employee turnover rate is very high.

Other human resources constraints are to be found at the strategic level. Indeed, at sectoral level, even where there is a large number of skilled staff, the question is whether those in charge, including ministers, are sufficiently acquainted with the processes to implement PPBB. This is also the case with MPs who do not have the required skills, although they are to vote on programme-based budgets. After the 2012 elections, there was a need for capacity-building among newly-elected MPs. Similarly, civil society also requires further capacity-building so as to be able to play its role in the budget preparation, monitoring and evaluation process.

Institutional constraints: political, legal and cultural

Institutional instability of ministerial departments is a significant constraint. The frequent merger or separation of ministries means that the exercise of allocating ministries' spending policies to programmes is continually starting over.

In Burkina Faso, there seems to be no pressure to implement the reform either for political interests or for legislative requirements. This could be explained by the fact that the political groups in place still do not grasp the issues surrounding the reform process.

Within the civil service, the PPBB reforms require a cultural revolution, since performance-based management is anathema to the administration. The need for accountability in budget management is sometimes looked upon with suspicion by various budget actors.

A major obstacle is the failure of some major budget actors to comply with the PPBB reforms, for fear of change. Some senior officials (directors general, project managers) are fearful of losing their benefits or, possibly, even their jobs. Indeed, the implementation of programme-based budgeting may well result in the rationalisation of administrative structures and the disappearance of certain functions that become redundant.

Another significant constraint is that the overall administrative reform and the PFM reform are running in parallel, whereas they should go hand in hand. Countries such as France created a ministry specifically responsible for the public service and the corresponding budget to carry out performance-based budgeting reforms.

Concerning legal aspects, the failure to review the relevant legal and regulatory framework is a major constraint to the

Table 3: Progress made in introducing PPBB relative to initial plans

Milestones of progress	Progress anticipated in 1997	Progress actually achieved (by late-2012)
Piloting of programme-based budgeting in six ministries		Production of six pilot programme-based budgets
Roll-out and introduction of MTEF	The Ministry of Finance and Economic Affairs (MoFEA) was supposed to guide ministries and institutions in producing programme-based budgets	Only a few ministries (MoFEA, Ministry of Health, Ministry of National Education, Ministry for the Youth, Vocational Training and Employment) have drafted programme-based budgets, which, in most cases, are disparate documents which were not aligned with the overall MTEF
Revival of the process with greater political will	The programme-based budgeting process was supposed to take off by 2000 and reach cruising speed in about 2005. However, the process did not achieve the desired momentum because programme-based budgeting was not properly effected in ministries and institutions	Organising a country-wide brainstorming workshop to revive the process in 2005, on the basis of a strategy that had been worked out in sufficient detail Organising a regional workshop to share experiences on programme-based budgeting with other countries of the sub-region, in particular, Mali and Benin In 2008, establishing a programme-based budgeting reform committee in the National Budget Directorate, responsible for managing the programme-budgeting implementation process
Designing the implementation strategy and its institutional piloting tool		Establishing a national programme-based budget reform steering committee with a technical secretariat devoted exclusively to programme-based budgeting Establishing a technical programme-based budget unit in all ministries and institutions as a subordinate structure of the technical secretariat Programme-based budgeting guidelines were adopted by the Cabinet in 2011 A document on the strategic implementation of the programme-based budget was drawn up and adopted by the Cabinet in 2011 Drafting of a communications plan to ensure the buy-in of all role-players in the process
Improving the legal and regulatory framework	Burkina Faso should customise the WAEMU directives on a harmonised public finance framework	The draft organic finance law was prepared but not yet approved as of late-2012 Draft decrees on customising other WAEMU directives (the transparency code, regulations on public accounts, budget classification and government budget execution reports) were available but had not been approved by late-2012
Developing strategic tools and building capacity in role-players		A table on the transition from line budgeting to programme-based budgeting has been drawn up and made available to budget actors Guides on drafting programme-based budgets and on monitoring and evaluation have been drawn up A capacity-building plan in programme budgeting was being approved in late-2012 A PPBB strategy, accompanied by a communications plan, has been drawn up Training and raising awareness concerning key concepts of programme-based budgeting: <ul style="list-style-type: none"> the five members of the technical secretariat have been trained; all members of the ministerial or institutional technical units have been trained in PPBB; awareness training in programme-based budgeting was given to all heads of ministries and institutions, with the exception of the ministers themselves; computer specialists responsible for customising computer applications used in budget expenditure execution have been trained in PPBB; awareness training on programme-based budgeting has been given to all decentralised technical sections of the MoFEA; training in programme-based budgeting has been given to a number of civil society organisations, journalists and parliamentary employees (MPs and National Assembly administrative staff); and introductory courses have been given to a number of lecturers and students of universities and various vocational training colleges (customs, national financial bodies, public administration) on key PPBB concepts.

Source: Author, based on documents of the government of Burkina Faso (2012) and annual progress reports.

implementation of programme-based budgeting. Non-adoption of a revised OBL explains why, to date, a line-item approach is still being used to prepare, approve and implement annual budgets.

Future prospects

Going forward, the country expects to:

- add impetus to the customisation of IT applications;
- improve communication around the process to ensure maximum buy-in by stakeholders;
- review budget programmes with a view to developing a definitive model of programmes, with concomitant performance tools;
- appoint programme managers;
- approve the new legal and regulatory framework necessary for PPBB implementation; and
- prepare and present to Parliament the first national programme-based budget in 2014 for adoption for the 2015 budget year.

Lessons emerging

Six important lessons can be drawn from this study:

- First, the introduction of results-based budgeting should be an internal initiative, and there should be a real desire on the part of the country's authorities to introduce PPBB.
- Second, PPBB needs strong commitment at the political and technical levels. Public finance reform for greater efficiency and transparency requires a joint effort by the executive and legislature. In the case of Burkina Faso, the process undertaken by the executive did not meet with any success until Parliament became involved 2007.
- Third, the introduction of results-based budgeting is a long-term process that requires careful planning and a participatory approach involving all stakeholders. Given the complexity and scope of the reform, it is necessary to have a complete overview of all the steps with their constraints and opportunities before committing to it.
- Fourth, results-based budgeting requires the prior establishment of a number of tools, the most important of which are a national planning document, an overall medium-term expenditure framework (MTEF) and very good sectoral strategies.
- Fifth, the PPBB reforms need the support of a country's technical and financial partners, for financing actions and sharing experiences.
- Sixth, it is important to better link public finance reform to public administration reform. This could be done by strengthening the team in charge of piloting PPBB with officials from the ministry responsible for public administration.

ANNEX 1 WAEMU directives for reforming public finance

- *Directive N° 06/2009/CM/UEMOA pertaining to Organic Budget Laws.* This directive determines the rules relating to content, presentation, preparation, adoption, execution and auditing of budget laws (see Annex 3 of Part A for PPBB aspects).
- *Directive N° 01/2009/CM/UEMOA pertaining to the Transparency Code.* This directive guided the drafting of the other five directives. Fiscal rules and principles are laid down by the Transparency Code.
- *Directive N° 07/2009/CM/UEMOA pertaining to general public accounts regulations.* This directive determines the rules, procedures and responsibilities of actors who execute and account for government financial transactions (not only revenues and expenditures, but also assets and liabilities). Member countries are to transpose the directive's content into a government-issued decree.
- *Directive N° 08/2009/CM/UEMOA pertaining to budget classification.* This directive provides principles for presenting the budget revenues and expenditures – a classification system that is common to all member states.
- *Directive N° 09/2009/CM/UEMOA pertaining to the Chart of Accounts.* This directive lays out details of the public finance accounting system: its standards, rules, procedures and accounting framework for preparing financial accounts and statements.
- *Directive N° 10/CM/UEMOA pertaining to the budget execution reports.* This directive includes the principles for preparing and presenting statistics on the in-year financial operations of annual budgets of member states.

ANNEX 2 PPBB benchmarks for 2010-15

The following benchmarks are taken from the programme of activities (2010–2015) of the national programme-based budget reform steering committee:

- The Ministry of Finance and Economic Affairs, through the technical secretariat of the state programme-based budgeting steering committee, designs an implementation strategy and its institutional steering device. This axis of activities has the following objectives:
 - establishing an institutional framework for implementing programme-based budgeting;
 - overseeing the operation of the piloting mechanism; and
 - drafting and implementing a communications and information plan.
- Improving the legal and regulatory framework to make programme-based budgeting operational through the following objectives:

- implementing in Burkina Faso all WAEMU directives on the harmonised public financing framework; and
- customising the legal and regulatory framework.
- Developing strategic tools and strengthening the capacity of role-players. This milestone should be achieved through the following specific objectives:
 - defining the implementation strategy for programme-based budgeting;
 - strengthening the capacity of role-players;
 - drafting sectoral programme-based budgets; and
 - customising computer systems.

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List of people interviewed

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