

Preconditions for conducting programme and performance-based budget reform **(Example of the CAR)**

The Central African Republic, like other countries in the sub-region, has undertaken reforms aimed at making the management of public expenditure more effective.

The reasons behind the reforms made at departmental level arise from the conclusions of a study called “A diagnosis of public finance management” by the firm Investment Development Consultancy (IDC) (2002) and a memorandum by the IMF technical assistance mission entitled “Proposals for improving public management”, published in 2005.

The conclusions drawn by these public finance management studies have revealed the following, amongst other things:

- An inadequate legal framework;
- Inadequate preparation of the national budget;
- Inadequate execution of the national budget;
- Non-existence of budgetary accounts;
- A lack of effective monitoring.

Faced with these findings, the Central African Republic government has therefore undertaken a vast reform initiative thanks to the support of its development partners to compensate these inadequacies.

I- Implementation of the reform

Since 2005 the CAR has been involved in undertaking a first generation reform process. The implementation of the reform has been effective thanks to the GREBUC budget and accounting reform group which was able to draft:

- An OBL enacted on 03 July 2006 which clearly determines the conditions for preparing, adopting, implementing and monitoring the national budget;
- The GGAR (general government accounting regulation), enacted on 12 July 2007 in pursuance of this OBL, notes the basic principles of keeping public accounting and specifies the mechanisms making it possible to provide decision-makers and the public with accurate, reliable, comprehensive and truthful financial information;

The new budget classification and the unification of the national budget was enacted by decree in 2009 and are closer to international standards and harmonise with a new chart of accounts aligned on a CAEMC (Central Africa Economic and Monetary Community) Guideline of 2008. Its adoption in 2008, including administrative, functional and economic classifications, makes it possible to monitor the execution of the budget and to measure the efforts made by government in favour of the sectors.

- The new public spending circuit: this was adopted in April 2008 to shorten the public spending implementation circuit and makes it possible to avoid an anarchical resort to

exceptional procedures caused by the fact that the previous circuit was very long-drawn-out.

Efficient IT tools are necessary for any reform. Consequently the Directorate General for the Budget and Treasury of the CAR has been equipped with an integrated IT system (GESCO) which makes it possible to draft and implement the national budget.

These various texts were adopted in terms of sustained reform efforts to improve public finance management initiated since 2005. They include numerous provisions on, amongst other things, the ease of reading and the transparency of budgets through a modern budget classification, as well as truthful national accounts, and a reaffirmation of traditional budgeting principles.

1.1/- Scope of the reform

In terms of the reforms, 4 sectors with sectoral strategies have been designated as pilot studies:

Education, health, rural development, infrastructure.

1.2/- Components of the reform (MTEF)

During 2007 and 2009 the CAR undertook sub-programmes to formulate global budgeting framework tools (MTEF/MTBF). In 2007, a preliminary tool called the MTBF had been formulated with the support of the UNPD. It covered the period 2009-2011; another exercise was undertaken in 2009 for the period 2010-2012.

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II- Progress made by the reform

It is difficult to summarise all the results in a few lines, but the progress made in terms of budget transparency, both in the preparation as well as the implementation of the budget, deserves to be mentioned.

In spite of encouraging progress made by the reforms discussed above, obstacles still continue to exist.

II.1/- Difficulties encountered

The MTEF drafting exercise carried out in 2007 for the 2009-2011 period suffers from significant shortcomings.

- Time-lag between the projection period;
- Lack of realism in the hypotheses for the chosen “realistic scenario”;
- A lack of formal sectoral strategies in departments which largely explains difficulties in developing a medium-term sectoral expenditure framework (MTSEF);
- Inappropriate for departments;

- Absence of criteria for allocating the overall expenditure package between sectoral ministries to take into account the priorities of the PRSP (Poverty Reduction Strategy Document).

II.2/- Solutions to the difficulties

- Establish a strategy and an action plan over the medium to long term to gradually introduce national multiyear budget planning (MTBF) and to establish programme-based budgets which are based on a capacity-building and training strategy and plan;
- In the medium term, gradually introduce the drafting of sectoral strategies accompanied by capacity-building programmes in order to prepare sectoral Ministries for drafting sectoral MTEFs over the medium and long term;
- In the medium-term, institute a successful budget planning mechanism able to ensure that the PRSP, sectoral strategies, the MTEF and the budget work together well.

From all the above, the new CAEMC guidelines introduce new concepts and techniques with regard to the current legal framework and practice of public finance management in the Central African Republic.

The new guidelines advocate the following innovations and reforms:

- Definition of a consolidated medium-term budget policy including all government departments explicitly targeting the goal of sustainability and budget discipline within a multiyear framework on the basis of a medium-term budget framework which would allow sectoral priorities to be determined (MTBF/MTEF);
- Introducing the principle of truthfulness in budget forecasting;
- Results-based management on the basis of programme-based budgeting in order to strengthen the effectiveness and efficiency of public expenditure and to measure the performance of government action;
- Devolution (Deconcentration) of authorisation in order to promote efficiency, transparency, fluidity and good budget execution performance.