**IMPLEMENTATION OF PROGRAMME-BASED BUDGETING (PBB)**

7.1 In 2006-07, as part of fiscal management reforms, Government introduced a Programme-Based Budget (PBB) in the context of a Medium-Term Expenditure Framework (MTEF). As a first step towards PBB development, a Public Financial Management Performance Assessment Report (PEFA) was prepared in June 2007 with the aims to identify strengths and weaknesses in the Public Financial Management system, and maximise the efficient use of the scarce public resources and the realisation of public sector objectives.

The first stage of implementing the budget reform was undertaken for the 2007-08 budget with the introduction of an “Indicative PBB” to change the focus of the budgetary process from an input-based annual activity to a performance-based multi-annual exercise that clearly links the funds appropriated by the National Assembly to outputs (the goods and services produced by Government) and outcomes (the changes observed by citizens in their life, over time, as a result of the supply of these goods and services). The indicative PBB was submitted alongside the traditional line-item budget in 2007-08 as a starting point and in order to give the Ministry of Finance and Economic Empowerment (MOFEE) the opportunity to update the necessary systems required for full implementation.

A full-fledged PBB (budget year 2008-09) embedded in a three-year MTEF (2008-09/2010-11) is currently being implemented. This forms the basis for appropriation by the National Assembly and replaces the traditional line-item budget. The implementation of the full-fledged PBB was preceded by a few enabling changes comprising:

- enactment of the Public Procurement Act 2006;
- enactment of the Finance and Audit (Amendment) Act 2008, including the abolition of the Capital Fund and the replacement of the Contingencies Fund by a new provision for contingencies in the budget;
- accompanying changes in the Financial Management Manual (FMM) which also includes a “Manual for Programme-Based Budgeting” and an “Investment Project Process Manual” both designed to assist Ministries/Departments to understand and implement PBB activities in a multi-year framework;
- adoption of a new GFS-consistent Chart of Accounts (GFS = IMF Government Finance Statistics);
- development of new budget and monitoring formats; and
- modernisation of the Financial Management Information System (FMIS) under Oracle Financials for financial data and Oracle Balanced Scorecard for non-financial performance data. Moreover, MTEF/PBB training activities are organised with a two-fold objective:
  - Building capacity of civil servants through lectures and training sessions aiming at instilling confidence; and
Providing technical support sessions for programme managers of the public sector to address any MTEF/PBB issues and hurdles arising and ensure that expenditure management methodologies and systems are effectively absorbed and efficiently implemented.

The PBB is a major public finance reform. In order for the PBB to be successful, there has to be concerted and continuous effort among all stakeholders in its implementation. Since this means more rigorousness in the whole system, there is need for an unflinching commitment and support at the highest level.

7.1.1 Strategic Plan as a basis for PBB

The approach to management through results comprises: strategic planning and a budget-programme based on results. There is a linkage between the two. It is the strategic planning process which will produce programmes for the preparation of the Programme-Based Budgets. Presently Ministries and Departments do not have strategic plans. There is a strong need to encourage and assist them prepare and own their Strategic Plans. In this regard, the MOFEE should communicate more and more with line Ministries and be more a handholding partner to them. A partnership approach would ensure the much needed ownership of the PBB by line Ministries. Ownership of their strategic plans will automatically facilitate preparation and implementation of PBB and ensure a better chance of success.

7.1.2 Concept of Programme Managers

The introduction of Programme Managers is one of the most innovative and welcoming aspects in this reform process. Ministries should seriously consider nominating Programme Managers and empowering them with problem solving skills to deal with the implementation of programmes. The emphasis is no more on inputs but rather on outputs and eventually on outcomes. In this regard and also in the wake of the challenges posed by the local and international economy, the current set up of the civil service may need to be relooked. Programme Managers can be persons from any cadre and can come from outside the public service as well.

The nomination of Programme Managers with the appropriate delegation of authority will decentralise the decision making process, ensure the much needed monitoring, ownership and implementation of programmes. One step further in the decentralisation of decision making could be to empower, for example, the School Head Teacher to manage his school as a cost centre to achieve the desired outputs.

Monitoring of financial and non-financial information is another key aspect of the reform process. Targets for performance indicators have to be realistic taking into account the available resources. This is the crux of the matter for successful implementation.

Programme Managers and Accounting Officers should be more sensitised about their roles and responsibilities in monitoring non-financial information. Their involvement and effective monitoring will indicate the degree of success in implementation of programmes. Programme Managers should be made to act as accounting officers for the programmes for which they are responsible.
**Conclusion**

In order to transform the country into a competitive and resilient economy, the introduction of Programme-Based Budgeting is fundamental. PBB will greatly help in managing government expenditure. One of the key elements for success is, however, the development of strategic plans with performance measures, which need to be practical and realistic.

PBB is a new system where successful countries have taken years to implement. This reform requires the collaboration and cooperation of one and all, MOFEE and all the line Ministries. It involves a shift of mindset and a change in culture. These changes do not happen overnight. It is a long term process. There is no need to rush but to be steady and systematic in the implementation of the PBB. Staff should be allowed the time to assimilate the new system. The overarching aim should be gradual, cumulative progress year on year. Otherwise the whole reform will run the risk of remaining an administrative exercise.