4.1 The introduction of the Programme-Based Budgeting (PBB) by the Government is a laudable initiative that was long awaited and is welcome by the National Audit Office (NAO). It demonstrates political will and direction from central level, which both are prerequisites that favour the implantation of a results culture. I already pointed out in my 2002-03 Annual Report, that is four years back, that there was a lack of accountability and transparency with the traditional model of public administration where there was no system of proper reporting and accounting at the Ministries’ and Departments’ level. Consequently, in the absence of an appropriate framework for linking expenditure with targets, the NAO could not play its proper role in ensuring the economic and efficient utilisation of resources entrusted to the various Ministries and Departments.

PBB is the planning of public expenditure for the purpose of achieving explicitly defined results, which may be policy objectives or simply outputs of routine public service activities. The ultimate aim of PBB is far from simply being an elaborate way of measuring or recording activities but instead, it is a mechanism that will help Government in decision-making depending on whether the objectives are being met or not, and enhancing transparency and accountability. Concerning decision-making, it helps to

- Clarify policy priorities consistent with Government’s strategic objectives.
- Allocate resources more tightly on strategic priorities.
- Motivate programme-managers and service-providers to have a genuine interest in improving performance.
- Identify the causes of good and bad performance and thereby improving the value for money of public spending by reducing waste and increasing impact, and
- Facilitate cross-institutional working.

On the other hand, it makes the service-providers (Ministries/Departments) more results-accountable to beneficiaries of services provided, to Government for policy implementation and to taxpayers for good use made for their contribution to the coffers of the Government. This ultimately leads to more transparency.

Besides all the good that can be said of Programme–Based Budgeting in theory, other countries’ experiences tend to show that it has not been very successful in either developed or developing countries. Caution is therefore the key word. Failures have been attributed to –

- lack of trained personnel needed to carry out the requisite analyses,
- lack of stability necessary to enable longer-term budgetary planning,
- lack of **consistent** political commitment necessary to allow the reform to be fully implemented, and also
lack of adequate information due to the accounting system not being well integrated with planning, budgeting, cash and debt management, and auditing systems. On the other hand, advocates of the PBB contend that **the system can succeed with strong political backing, a rigorous program of training, gradual introduction of the system and complementary reforms that would encourage performance.**

Program Budgeting failed in Sri Lanka despite the fact that the Budget Reform, which started in 1969, seemed by the mid-1970s to succeed.

Singapore is an example of gradual move from line-budgeting prior to 1978, through Programme-Budgeting between 1978-1989, Block-Vote budgeting between 1989 – 1996 and finally to Budgeting For Results 1996 onwards. Its success is due to its more gradual reform process.

Results-Based Management in Canada followed an incremental approach. It was only after the pilot phase proved to be successful that the government-wide implementation was approved. According to Canada, even where there is strong leadership and clear accountability, full implementation resulting in a real change in management culture requires some seven to ten years.

Malaysia has been successful with its Modified Budgeting System, which, it claims, provides managerial flexibility and accountability. It has the following components:

- An Integrated Results Based Management System, which incorporates a long-term macro-planning framework.
- An Integrated performance management framework, which provides baseline data that allow measurement of comparable progress and results at set intervals. These performance data are monitored against pre-determined targets.
- A well-structured national level strategic plan, which lays down the foundation for focused sector and program level plans and allows Ministries and Departments to establish linkages to higher level key result areas.

4.2 The Mauritian Approach and Weaknesses observed:

4.2.1 **Link between policy, planning and budgeting.**

The intentions of the Government for its five-year mandate were laid down in the “Government Programme 2005-2010” which was presented to the population in July 2005. It was expected that soon after a review of the economic and fiscal situation, these intentions would be translated in the form of key strategic policies, which would ultimately be entrusted to the different Ministries and Departments to frame their own proposals. However, no key strategic policies were formulated and entrusted to Ministries/Departments. Moreover, since the different sectors did not have their strategic plans, there was no link between the central Government programme and the goals and objectives identified for Ministries and Departments for their PBB for years 2007-2008 – 2009-2010. The link helps central Government to make strategic decisions on the basis of budget realities. Potential gains
cannot be realised unless there is a direct link between central overall planning, resource allocation and the budgeting system. It is presumed that this missing link will be established in time so that the alignment of the plan to the national strategic policy/vision will be clear.

To enable decision makers to draw any conclusion from the PBB, the progress made and impacts of policies, programmes and projects should be monitored and evaluated. There has not been any testing phase. The pilots under Medium Term Expenditure Framework (MTEF) cannot be considered as representing the first phase of PBB. I already highlighted in my Audit Reports 2004-05 and 2005-06 that MTEF was left to the level of Estimates since the pilot projects did not proceed any further. And now I must say that the implementation plan of the PBB is clearly utopian

4.2.2 Reform process.

Time Frame.

The time frame of one year for the launching of the PBB from scratch is definitely unrealistic. It is almost halfway through the budget period and trainers have just been trained. By the time the staff, who will be implementing the PBB this year, are trained, the Financial Year will be over. The Chart of Accounts is not yet ready, which implies that not much data would be available by the end of the year for evaluation purposes and for ultimate learning and improvement. The new laws, as mentioned in the Budget Matrix, have yet to be framed. The Financial Management Information System and the Payroll System are high-risk changes. According to the Budget Matrix, it is expected that these will be successfully developed and tested in two Ministries by no later than December 2007 (and they are bound to as it has already been decided that they will be further replicated in January 2008 in eight other line Ministries already identified). The PBB Manual is not complete. In a way the basic building blocks will not yet be in place even by the end of the year. The project as it stands, as a full-blown programme budgeting, looks over ambitious and may turn out to be unmanageable.

Type of Reform.

Broad-based reform initiatives involve a longer time horizon than more narrowly focused initiatives. Doing everything all at once does not make the approach comprehensive. Comprehensiveness is about taking a holistic approach to diagnose the problems, understanding all the interlinkages and evaluating the institutional impediments to performance, then finding the most appropriate entry point to launch a phased reform process. On the other hand, a phased approach can well be comprehensive. Despite the bulkiness of the budget, there is still no link between policies and the end results expected and this will therefore not necessarily be helpful for decision making. Experiences of other countries have shown that the implementation schedule for effective adoption of a well-conceived project/reform usually stretches over several years.
### 4.2.3 Transition to PBB.

**Parallel run versus stand-alone PBB.**

The PBB is framed to be running in parallel with line budgeting during this financial year i.e. 2007-08. From July 2008 onwards, the budget will be framed solely along PBB. The abrupt shift to PBB without even a couple of years of trial under optimal conditions, that is with all staff trained, with all the requirements laid down in the Budget Matrix being in place, might not be the ideal start. Assuming all the different reforms accompanying the PBB will be in place by June 2008, which is quite remote, the data from the new system will start flowing from 2008-09. The monitoring of the performance data might bring to light weaknesses that would only become visible along the next year, only if the staff have understood the logic behind the new approach. In my opinion, an untested system cannot be launched right away without providing a safety net in case things go wrong. The weaknesses will have to be redressed before going ahead with PBB. It is safer that line item budgets are kept as the main budget and the PBB be kept as a shadow budget for at least a few years during the learning stage.

Phased or transition period provides an opportunity for trial and error provided failures are not punished. Burt Perrins, who has more than 30 years practical experience internationally in evaluation, policy and program development, and strategic planning on behalf of Governments, international organisations, NGOs and the private sector says that a big-bang approach where one expects immediate compliance and full implementation is rarely realistic or advisable. It encounters resistance and if it is mandatory, it results in an appearance of compliance with the production of reports and so on but it does not result in a change of thinking or management. He also cites that “The experience of the World Bank is that big-bang approaches rarely are effective in changing the orientation of Government, nor are they sustainable.” Factors that contribute to the success of pilot approaches include an emphasis on learning, on providing support and encouragement, on publicising successes across Government and in particular, on avoiding punishment for “failure.”

**Performance Management System (PMS).**

Government is proposing to introduce as from 1 January 2008 a Performance Management System in the Civil Service, which includes the performance appraisal of staff. The only mention of this led to an outcry by the trade unions that feared less it would be used for punishment. Although it is imperative for PBB to be successful that several reforms need to be carried out at the same time, the success of the PMS has not yet been evaluated. However, according to the Budget Matrix, it has already been assumed that PMS will be successful in two pilot Ministries and that it will simply be rolled out to other Ministries in 2008/09. The step forward does not appear to depend in any way on the outcome of the pilot projects.

**Formulating Programmes.**

Several units or departments previously under line budgets have been straight away labeled as programmes under the PBB, sometimes simply by changing its appellation. Taking the example of the Ministry of Social Security, where out of five units, two have merged to become one programme, two others have each become a programme. The administrative costs of the Ministry’s Headquarters standing at Rs 22.7 million has been added up in toto to
the fifth unit to turn it into a Programme. This simplistic way of formulating programmes does not differentiate between Line-Budgeting and PBB.

4.2.4 Sustainability of Reform

Capacity building in central and sector Ministries

For Programme Implementation. The Training Programme comprises five modules, namely Strategic Planning, MTEF, PBB, Costing, and Measuring and Evaluating Performance. Trainers were to be trained over a period of 14 days between 24 September and 24 October, evaluated between 25 October and 31 October, and ready to dispense lectures as from 1 November. Trainees will be trained during five days only. It is wondered how crucial modules like the above can be understood and assimilated in such a short lapse of time by trainers, who lack the necessary academic knowledge and practical experience on the subjects. Without themselves never having been involved in any PBB application before, trainers are to get the trainees ready to implement the requirements of a stand-alone PBB. This does not sound feasible.

For Monitoring, Evaluating, and Reporting on outcomes. A major hurdle in implementing PBB has been found to be the lack of sufficient capacity and expertise in results-oriented thinking and managing and expertise in more specialised tasks, such as monitoring and evaluation. Even countries like Canada and the United States of America, with many years of experience with program evaluation and with extensive evaluation training programs of various forms have said that it is frequently difficult to find the expertise for high quality evaluations.

No mention is made of training staff within the line ministries to enable them to better monitor and evaluate the different programs. Similarly, the Central Unit will require well-qualified and trained staff to enable them to identify and measure the effects of Government policies and programs. The Unit must stand as a unified central driving force not only to establish overall policy for planning and budgeting, but also for monitoring, evaluation and results management. It will have to adjust the approach as needed; to identify how results-oriented information can be used in Government-wide policy and decision-making and also to provide necessary guidance, assistance and support.

In my opinion, the Management Audit Bureau with a pool of qualified accountants and partly qualified staff could well be the right organisation to drive and support the move towards PBB.

Changing the mind-set.

From Focus on inputs to focus on results. An output or outcome focus represents a fundamental shift in the nature of thinking, acting and managing within the public sector, away from focus on inputs or activities. It is not easy to incorporate into the organisational culture at all levels this type of thinking, when in fact the focus on inputs has been there for several decades or for more than half a century. It is a long-term process that will reap benefits in the long-term. Countries that have already gone for PBB have come to the conclusion that a development period is essential. Instead of imposing such a major change across the entire Government, it is best to pilot it in selected areas. This allows the staff to
learn about what works best and what does not. Without the support of staff, an outcome focus runs the risk of remaining an administrative exercise.

Importance of Leadership. Leadership is very important to facilitate culture change. The commitment and interest of all levels of staff will be gained only if they believe the relevance of what they are asked to do and see the value in it and NOT simply because it is mandated. Successful development and sustainability of an outcome-oriented approach is the creation of a culture that values the new orientation and this takes time. Where the main driving force is top-down pressure, there is the danger to continuity, arising from a change in political leadership. To counter this, some countries have made it a must to embed outcome-oriented thinking within its bureaucracy and culture.

Feedback. Providing feedback to staff, after they have provided the necessary reports, is a very important step towards gaining their commitment. Not knowing what changes have occurred as a result of information provided by them is de-motivating.

I agree with the views expressed by OECD and middle-income developing countries that have had experience with performance budgeting and management, that reforms should be introduced progressively and pragmatically. A progressive approach is required to develop buy-in and support. Rushing through the reforms is a sure way to sabotage an outcome approach. A pilot approach is compatible with the diffusion of any innovation strategy and once the reform has been accepted by some, others will follow along the footsteps of the pioneers until the innovation becomes mainstream.

I firmly support the PBB and would like it to take root, instead of ending up as a paper exercise similar to the MTEF.