Report of the Director of Audit

on

The Implementation of

THE PROGRAMME-BASED BUDGET (PBB)

Period 1 July 2008 to 31 December 2009

Volume II
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Preface

A full-fledged Programme-Based Budget (PBB) was introduced in 2008-09. This framework which formed the basis for appropriation by the National Assembly represented a significant step in the evolution of the government’s budgeting reforms. PBB replaced the traditional line-item budget and was intended to improve the efficiency and effectiveness of public spending and build a performance culture within the public sector.

In a public sector environment the development of a relevant and informative performance budgeting is inherently a difficult task. This difficulty is compounded by the fact that the public sector is faced with changes at the helm of government in a democratic set-up and new community priorities and expectations that compel Ministries and Departments to periodically review and refine, as necessary, programmes, outcomes, outputs and performance targets.

Programme-based budgeting has emerged as a concept which has been implemented in many countries and is actively promoted by international economic institutions such as the OECD and the IMF. Many countries, both developed and developing, already have more than 10 years of experience in PBB, yet they are still encountering problems in the implementation. In Mauritius, implementation of PBB being less than two years old, it was therefore natural to expect difficulties in terminology, concepts and identification of meaningful indicators.

In the light of these inherent problems, NAO has carried out the audit of the PBB with a focus on implementation issues. The objective of the audit was (i) to assess the extent to which the PBB framework was understood and applied and (ii) to make recommendations for a successful implementation based on lessons learned from other experienced countries.

It was considered premature at this stage to go deeper in the audit and report on the extent of achievement of outputs and indicators.

I take this opportunity to commend the efforts of the Ministry of Finance and Economic Development (MOFED) (formerly Ministry of Finance and Economic Empowerment), in the migration from the traditional line budgeting to PBB. In just over three years, MOFED has made some good progress in introducing PBB and has been successful in initiating the shift in mindset of public servants and in instilling a performance culture in the public sector.
Executive Summary

1. In 2006/07, Government launched an economic reform programme which included the reform of the budget process by introducing a Programme-Based Budget (PBB). This initiative of Government was aimed to improve the efficiency and effectiveness of public spending, lay the foundations for the modernisation of the public expenditure management systems and build an improved performance culture within the public sector.

2. In 2007-08 the exercise was only indicative. 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.

3. In 2008/09, a full-fledged PBB embedded in a three-year Medium Term Expenditure Framework (MTEF), 2008-09 to 2010-11 was implemented. This formed the basis for appropriation by the National Assembly and replaced the traditional line-item budget.

4. In a short span of three years, Government has made great progress in the implementation of PBB. MOFEE has managed to instil a sense of performance orientation throughout the government. It has been successful in initiating the shift in mindset of public servants towards the acceptance of programme-based budgeting in the public sector. Recognising that implementation is still in the early stages, MOFEE is conscious that there are still much more to be done to be in a position to reap the benefits of aligning resource to policy priorities and improving service delivery.

5. Many countries have had problems with the definitions of terminology and concepts. Defining appropriate programmes, outputs and efficient and effective performance indicators and relating them directly to the services has proved to be quite challenging tasks. MOFEE, and Ministries and Departments in Mauritius also faced these problems.

6. Frequent changes were made to the PBB framework during implementation over the last three years thus causing confusion and misunderstanding of what was required in terms of defining programmes, outcomes, outputs and performance indicators. These changes have not been well discussed/explained amongst users.

7. Now that the system is stabilising, MOFEE needs to review its implementation strategy. As a priority MOFEE must clarify its definitions of all concepts, and ensure that these are clearly understood by its Sector Ministry and Support Teams (SMSTs) and line ministries. It must also recognise that Ministries/Departments are responsible and accountable for their budgets. They should be the ones driving the process and responsible for the preparation of the totality of their Programme-Based Budgets. It should not be perceived as being prepared and directed by MOFEE.

8. Consensus building is imperative in PBB. It is essential, therefore, to actively enlist other ministries and departments in the reform process – consulting them before key decisions are made, being sensitive to their concerns, and using their expertise and experience to improve the reform strategy and build support for it.
9. An integral element of the PBB framework is the preparation of a strategic plan which sets out the Vision, Mission of the Ministry/Department and its goals and objectives, targets and the measures used to assess performance. Presently strategic planning in Ministries and Departments needs to be strengthened. To enhance transparency, accountability and a performance culture in the public sector the preparation of a 3-year Strategic Plan by Ministries and Departments should be made mandatory.

10. Reporting and monitoring play an important role in policy formulation and future planning. However, the collecting and reporting of qualitative information is a challenge to Ministries and Departments. MOFEE should assist Ministries and Departments in putting in place a robust system for capturing and monitoring performance information. The system should include quality assurance arrangements.

11. Introducing PBB requires intensive training of officials at all levels, so that they have a good understanding of the concepts and system by the time of implementation. Training should include both theoretical concepts and practical applications. More capacity building is required to deepen the understanding of all those officials involved in the implementation of PBB. Specific areas for capacity-building include strategic planning, costing, performance measurement, monitoring and evaluation.
1. Introduction

Background

1.1 In 2003, Government decided to introduce a Medium Term Expenditure Framework (MTEF) in six pilot ministries. The process was just a conversion of line items to a programme classification. Still, as mentioned in my 2006-07 Audit Report, MTEF remained just a paper exercise as after the budget formulation, there was a complete absence of implementation process.

1.2 In 2006-07, Government launched an economic reform programme which included the strengthening of the fiscal management. As part of the fiscal management reforms, Government decided to reform the budget process by introducing a Programme-Based Budget (PBB) – embedded in a 3-year MTEF. PBB was being introduced to shift the focus of the budgetary process from an input-based annual activity to a performance-based exercise that links the funds appropriated by the National Assembly to outputs, in the first instance, and, at a later stage, to outcomes.

Objectives of PBB

1.3 This initiative of Government was aimed to improve the efficiency and effectiveness of public spending, lay the foundations for the modernisation of the public expenditure management systems and build an improved performance culture within the public sector.

1.4 Specifically, PBB is intended to allow Government to achieve the following main objectives:

(i) to gradually reform the framework governing fiscal management in order to make it more results-oriented

(ii) to improve efficiency and effectiveness of Ministries, particularly through the development of a new mindset, when developing and implementing the programmes with their activities

(iii) to provide more concrete information on performance for decision-making purposes, and for setting future priorities and targets

(iv) to provide information for reallocation of resources between programmes and their activities to better meet the objectives of Government

(v) to help in reducing expenditure through efficiency savings

(vi) to strengthen fiscal transparency by making Government spending, its objectives and results clearer to the public.
Structure of the PBB framework

1.5 A depiction of the PBB Framework is shown below.

![Diagram of the PBB Framework]

**Terminology**

*Strategic Plan*

A medium to long term operational plan which spells out the key priorities of a Ministry/Department as enunciated in policy statements and Government Reform Programme.

The priorities must be expressed in terms of the specific objectives and outcomes, how they would be achieved through the Ministry’s programmes and sub-programmes over the medium term and the key performance indicators.

From the Strategic Plan, Ministries will list the programmes with the measurable outcomes and the sub-programmes with the specific objectives.

*Programme*

A programme describes what it is that the Ministry does, i.e. its functions. It is a group of independent, but closely-related, outputs designed to achieve a common objective.

Once Programmes have been established these functions need to be translated into outcomes and linked to one specific programme.
Outcomes

Outcomes are changes in the economic, physical, social and cultural environments which the Ministry/Department is trying to influence. They are a summary statement consisting of three basic components:

- Intended impact: the outcome to the client
- Level of performance: desired level of intended impact
- Means of delivery

Sub-programmes

A programme is divided into sub-programmes.

A sub-programme is a systematic set of activities designed to achieve a specific objective which contributes to achieving the programme level measurable outcome.

Outputs

Final goods and services produced by a Ministry/Department at a sub-programme level which are a result of performing activities.

Performance Indicators

The measurement of outputs including the targets to be met.

Activities

Actions performed to translate inputs into outputs.

Inputs

The resources used by a Ministry/Department to undertake activities and thereby produce outputs.

Implementation

1.6 The Government has committed itself to creating, in the public sector, a management culture that is fact-based, results-oriented, open and accountable. Many jurisdictions around the world are making visible efforts to move in this direction. The experience reported by these jurisdictions shows that although providing performance information is not easy, it can be done. In fact, while sounding like a mere technical exercise, the successful introduction of PBB is more complex, involving elements of change management across government. It is clear that several years will be needed to fully implement the PBB framework and other initiatives to improve performance reporting.

1.7 In 2007-08 the exercise was only indicative as it was the first time that this approach was adopted for the Government as a whole. The Ministry of Finance and Economic Empowerment (MOFEE) provided direction and guidance to assist Ministries and Departments in their move to this PBB framework. The indicative PBB was submitted
alongside the traditional line-item budget in 2007-08 as a starting point and in order to give MOFEE the opportunity to update the necessary systems required for full implementation.

1.8 In 2008-09, a full-fledged PBB embedded in a three-year MTEF (2008-09 to 2010-11) was implemented. This formed the basis for appropriation by the National Assembly and replaced the traditional line-item budget. The implementation of the full-fledged PBB was preceded by a few enabling changes comprising enactment of the Finance and Audit (Amendment) Act 2008; accompanying changes in the Financial Management Manual (FMM); adoption of a new Government Finance Statistics(GFS)1-consistent Chart of Accounts; and the development of new budget and monitoring formats.

1.9 The 2009 PBB has appropriated funds for the six months ending December 2009. As from 2010, the fiscal year will coincide with the calendar year.

1.10 MOFEE aims to improve the framework as it proceeds and the format and content of the PBB are likely to evolve significantly as experience is gained in adapting it to the circumstances in Mauritius.

1.11 It may be stated that Government has, over the past three years, made some good progress in introducing PBB. It has been successful in initiating the shift in mindset of public servants towards the acceptance of programme-based budgeting in the public sector. Previously the formulation and preparation of a Ministry/Department’s budget was left to the officers of the Finance Cadre. But with PBB, Supervising Officers are now conscious that the budget exercise are foremost their responsibility and requires their full involvement. Even the quality of debates in the National Assembly has improved whereby increasing number of questions are geared towards service delivery rather than towards inputs. However, there is much more to be done in the years to come to consolidate the budget reforms undertaken. This is a deep reform, the benefits of which will be felt in the medium to long term as the PBB framework is refined and supported by complementary reforms in other areas, such human resource, procurement and project implementation.

1.12 Lessons learned from experience from other countries who implemented PBB suggest that successful implementation of PBB requires a well-developed and well-sequenced implementation strategy including:

- the sensitisation and buy-in of all stakeholders
- the conduct a thorough analysis of how the functions, roles and responsibilities of different actors in the administration will be impacted
- a clear understanding of the concepts involved in PBB
- the development of simple definitions that are easy to apply practically
- that adequate preparation, by allowing adequate time for discussion and consultation, are made before introducing PBB to line ministries
Audit scope and objectives

1.13 The objective of the audit was to assess the application of the PBB framework in Ministries and Departments and identify potential areas for improvement in specifying, measuring, assessing, administering and reporting performance under the PBB framework.

1.14 The audit included a review of:

- the financial planning system necessary to identify the scope of prioritization of budgets through the introduction of a strategic plan
- the outputs and performance indicators of Ministries and Departments and the integration of the framework into their operations
- the extent to which the performance indicators of Ministries and Departments are aligned with the outputs they want to achieve
- the processes put in place by Ministries and Departments for capturing, monitoring and reporting financial and performance (non-financial) information.

1.15 For the purpose of the audit, a survey was carried out in all Ministries and a few large Departments. NAO did not audit the information provided by the surveyed Ministries and Departments but discussions were held with Accounting Officers of a sample of 14 large Ministries and Departments.

1.16 In undertaking this audit, the NAO was aware of the difficulties that could be encountered in the implementation of the PBB framework. These include the difficulties in:

- defining and measuring achievements and progress towards some outcomes
- setting realistic targets and well-chosen indicators
- establishing appropriate measures
- putting up a sound system of identifying, collecting and reporting on performance achievement
- facing the natural resistance towards change, in particular when new ways of doing things are introduced

1.17 Many countries have had problems with the definitions of terminology and concepts. Defining appropriate programmes, outputs and efficient and effective performance indicators, and relating them directly to the services provided by the Ministry/Department proved to be quite challenging tasks.

1.18 MOFEE and line ministries and departments also faced these problems. However in the case of Mauritius the problems became more and more complicated and even confusing because of the frequent changes made to definitions by MOFEE every year. A refinement of the terminologies was made in 2009 with the aim of making them simpler for the preparation of the 2010 budget. However, the lack of clarity regarding the definitions is still there.
1.19 Defining appropriate and meaningful programmes is still an issue for debates at the level of ministries and departments. Programmes are not always aligned to their main objectives or functions. In quite a number of cases, programmes have not been broken down into sub-programmes, making resource allocation to priority areas difficult. Line ministries and departments felt that the Sector Ministry and Support Teams (SMSTs) of MOFEE do not understand a line ministry’s business in sufficient depth to be able to modify or reject the programme proposals submitted by them. Idem for proposing appropriate programmes for their organisations.

1.20 MOFEE needs to review its implementation strategy in the light of comments made by the IMF and other International agencies on the implementation of PBB in Mauritius. As a priority, MOFEE must clarify its definitions of all concepts, and ensure that these are clearly understood by its SMSTs and line ministries. It must also recognise that Ministries/Departments are responsible and accountable for their budgets. They should be the ones driving the process and responsible for the preparation of the totality of their Programme-Based Budgets. It should not be perceived as being prepared and imposed by MOFEE. MOFEE should therefore provide the necessary facilities and resources to line Ministries/Departments to equip them with the knowledge and necessary capacity for the successful implementation of PBB.

Report Structure

1.21 This audit report is structured in seven chapters.

Chapter 1 – Introduction provides a background of PBB, its framework and implementation in Mauritius.

Chapter 2 – Strategic Plan and Financial Planning discusses the importance of strategic plan and the integration of strategic planning and budget processes.

Chapter 3 – Programmes and Sub-programmes discusses on programme as the key component of PBB.

Chapter 4 – Outcomes and Outputs discusses the difficulty in defining appropriate outcomes, outputs and performance indicators and the relation with delivery of services.

Chapter 5 – Performance Indicators discusses on the development of meaningful and reliable performance indicators.

Chapter 6 – Capturing Performance Information and Monitoring Performance discusses on the process for capturing performance information and monitoring performance.

Chapter 7 – Conclusion provides the concluding remarks.
2. Strategic Plan and Financial Planning

Introduction

2.1 In an article titled "Managing Public Finances Like the Future Matters," King (1995) suggests several reasons for this renewed interest in budget reform, including:

- Government must be driven by citizen desires and needs, not government rules and regulations.
- Taxpayers will pay for results, not efforts.
- Government must better communicate progress toward goals and objectives.

2.2 A good financial management system helps an organisation manage its budgets, manage the financial risks to the organisation, allocate resources and make decisions supported by an understanding of the relationship between costs and performance, and deliver its services in a cost effective manner. It integrates financial and strategic planning to identify the scope for prioritisation of budgets through the introduction of a strategic plan.

Guidance from MOFEE

2.3 Following the decision of Government to introduce PBB, MOFEE released a ‘Guidelines on Preparation of Policy Framework or Sector Strategy’ (Guideline) in August 2006. This Guideline was intended to explain what a Policy Framework or a Sector Strategy Note is, its purpose and how to prepare it. It was circulated to Ministries and Departments, following a presentation on Programme Based Budgeting, to be used as a guide in the preparation of their first budget in accordance with the PBB framework. The Guideline, in fact, tried to simplify the processes of strategic planning.

2.4 On 6 March 2007, MOFEE in its Circular No. 3 of 2007 instructed all Ministries and Departments to submit their budget requests for fiscal years 2007-08, 2008-09 and 2009-10 in the new PBB formats as well as the traditional line items formats. The Circular stated that the new format relates each department’s budget (inputs) to its stated vision and missions; programmes with their related outcomes; activities with their related outputs; and outcomes with performance indicators. The ‘Guidelines for Preparing Program Budgets’ was attached to the Circular. This Guideline, however, was a glossary of terms used in the field of PBB including Vision, Mission, and Performance Indicators.

2.5 On 21 February 2008, in its Circular No.3 of 2008, MOFEE requested Ministries and Departments to submit their expenditure proposals for the year 2008-09, 2009-10 and 2010-11 according to an annexed PBB Statement template. The template required Ministries and Departments to state their mission(s), strategies, programmes and sub-programmes. The Circular provided some guidance to assist in the preparation of the PBB Statement. On 29 February 2008, the Financial Secretary invited Senior
Officers of the Administrative Cadre, not below the rank of Principal Assistant Secretary, Officers-in-Charge of Finance Division and Personnel Division of each Ministry/Department for an interactive session between 7 to 10 March 2008, with a view to facilitating Ministries and Departments in the preparation of their PBB budget.

2.6 Again, on 29 November 2008, in its Budget Call Circular No. 18 of 2008, the Ministry mentioned that Budget Proposals (PBB Statement) is meant to provide the National Assembly and the public with clear information on Ministries/Departments and on what they undertake to achieve with the public funds entrusted to them. More specifically, for each Ministry/Department, the PBB Statement sets out its:

- Mission
- Strategic Plan
- Programmes and their outcomes
- Outputs
- Performance Indicators and Targets

Ministries and Departments were informed that guidelines on the PBB Statement were provided in the PBB Manual available on the website of MOFEE.

2.7 In August 2009, MOFEE released the “2010 Manual for Programme-Based Budgeting (PBB)” (Manual) to assist Ministries/Departments to understand and implement PBB activities in a multi-year framework.

2.8 Paragraph 2.3 of the Manual states: ‘The preparation of budget estimates under MTEF now involves matching Ministries/Departments requirements with total resources, based on the overall priorities. The process involves the preparation by Ministries/Departments of “Strategic Plans” in line with the priorities of the current Government economic reform and in which Ministries/Departments define their programmes with measurable outcomes, sub-programmes with priority objectives, and outputs with measurable and verifiable performance indicators. On the basis of strategic plans, Ministries/Departments must produce an integrated budget that reflects the cost of policies’.

2.9 An integral element of the PBB framework is the preparation of a strategic plan which sets out the Vision, Mission of the Ministry/Department and its goals and objectives, targets and the measures used to assess performance.

2.10 Ministries/Departments are required to report on programme performance and the progress achieved in meeting their targets as set out in the budget estimates.

Keeping it simple

2.11 The biggest challenge in the development and implementation of a basic model of performance-based budgeting is keeping it simple. All too often, newcomers to performance-based budgeting have set out to develop sophisticated systems over short time periods (as little as a year or two). They fail to fully realize that such models
require skilled human resources which may not be readily available or affordable. It is worth remembering here that similar systems in OECD countries took decades to develop (M. Robinson and D. Last, 2009, *A Basic Model of Performance-Based Budgeting*, International Monetary Fund)

2.12 In the initial stage MOFEE tried to make a simplistic implementation of the PBB framework. The 2007-08 PBB was only indicative. Despite the regular mention of strategic plan in the various guidance and instructions provided, MOFEE, viewing strategic planning to be a relatively tedious exercise to start with and to get the ball rolling, has till date not requested Ministries and Departments to prepare their strategic plan. Nevertheless, they were required to formulate programmes, i.e. groups of government-mandated activities that contribute to a common outcome; indicate the outcome expected from each programme; the activities, together with the specific objective of each activity, to be performed to achieve the stated outcome; the outputs that will result from the activities performed; and the performance indicators to be used to measure the achievement of outcomes and outputs. Subsequently, they have been requested to include a Strategic Note. These information, as can be noted, are among those that form part of a strategic plan.

2.13 Since the introduction of the PBB framework was a new budget process and needed to be approached with a new mindset, MOFEE has been assisting Ministries and Departments in the formulation of their programmes, outcomes, objectives, activities, outputs and performance indicators. Training was provided to various categories of officers. This has helped, to a large extent, in setting and keeping the ball rolling. Some teething problems still exist, but it can be said that PBB has now been an accepted fact in the Civil Service. MOFEE has to be congratulated for this effort and success.

2.14 The ultimate aim of PBB is not just an elaborate way of measuring or recording activities. It helps to clarify policy priorities consistent with Government’s strategic objectives. It is a mechanism that will help Government in decision-making and enhancing transparency and accountability. It is, perhaps, time now to consider proceeding a step further. To achieve Government objectives, the programmes of Ministries and Departments need to be aligned with Government strategic objectives and programmes. Presently, there is no single document that summarises the Vision and future plans of Government in an integrated manner. The “Whole of Government Strategy Map” published in the 2007-08 Indicative PBB has set the scene and needs to be followed-up as planning tool at the highest level such that the broad goals trickle down to the level of Ministries and Departments. In addition, strategic planning in Ministries and Departments needs to be strengthened.

2.15 Strategic planning, which provides a systematic road map for achieving medium to long-range goals is a critical component of PBB. It is said that strategic plans are at the heart of the performance management system. In fact, the strategic plan should lead the overall process for budget planning and resource allocation. The 2010 Manual for Programme-Based Budgeting, at paragraph 3.3.1, states that each Ministry/Department has to elaborate or regularly update its Strategic Plan and define objectives in line with overall Government priorities. Strategic planning as a component of PBB creates useful performance measures and then uses them to determine if Government programmes are achieving their goals.
2.16 Linking strategic planning to performance measures has several benefits:

- When planning focuses on results, Ministries and Departments must consider the impact of their activities on stakeholders and customers.
- Successful strategic planning requires regular reviews and updates, which forces agency managers to ensure their plans remain relevant to their customers.
- Requiring planners to consider the resources they need to accomplish their goals and objectives forces those in charge of planning and those in charge of the budget process to work together.
- Requiring goals and measures of performance means Supervising Officers must measure the effect of their program strategies to determine if they are achieving their stated goals and objectives.

2.17 From our literature review and analysis it is obvious that the integration of strategic planning and budget processes with programme measures is critical to the quality and success of an institution.

**Recommendations**

2.18 To enhance transparency, accountability and a performance culture in the public sector, make it a legislative requirement for Ministries and Departments to prepare a 3-year Strategic Plan. However, a three-year plan should not be construed as including only programmes with three years duration. The thinking in developing a strategic plan should go beyond the three years horizon, that is, including programmes of a medium to long term perspectives.

2.19 To ensure that the resulting product generates and fosters ownership within the whole Ministry/Department, the process of developing the strategic plans should be as participatory as possible.

2.20 It goes without saying that before making it a statutory requirement Ministries and Department should be fully trained and supported. Moreover, the Strategic Plans should be prepared with the participation of all staff to ensure their ownership which is critical for the successful implementation of the Plan.
3. Programmes and Sub-Programmes

Introduction

3.1 The key component of the PBB is the programme. The “Glossary of statistical terms” of OECD defines Programs as “groupings of government activities in relation to specific government objectives”. Hence, when formulating a programme, the question to be asked is: Is the programme attempting to deliver something that is really important to the society and in line with the government’s stated policy priorities?

Definitions

3.2 According to the 2010 Manual for Programme-Based Budgeting “a Programme/Sub-Programme is a new budget structure; it is not an organizational structure. This may be a difficult concept to understand, especially as the term PROGRAMME has been used to describe sector level and government wide initiatives in the past.”

Indeed, it has been noted that the term “Programme” has proved to be not clearly understood, thus leading to different interpretation. It is quite common for Ministries and Departments to build a program structure in which the label ‘programme’ really refers to discrete organizational units. The definition of the term as enunciated in the different documents circulated by MOFEE has not helped either. They lack consistency and over time have added to the confusion. For example,

1. “Guidelines for Preparing Program Budgets” attached to Circular No. 3 of 2007 (Expenditure Proposals for 2007-08, 2008-09 and 2009-10)

   **Programme:** A grouping of *main activities*, which contribute to a *common strategic outcome*. Programs are usually further divided into main activities, which contribute to specific objectives.

   (No mention is made of sub-program.)

2. **Annex C (Supplementary Advice on Programme-Based Budget Statement Preparation) of Circular No. 3 of 2008 (Expenditure Proposals for, 2008-09, 2009-10 and 2010-11)**

   **Programmes** are groups of *government-mandated activities* that contribute to a *common outcome*. Ideally programmes are the ways in which government policy objectives are achieved. That is, each programme relates to a specific result or group of results that the government has declared that it will achieve.

   **Sub-programmes** are groups of activities to achieve a specific objective or result within a programme. They should relate to only one programme.
3. Circular No. 18 of 2008 (Budget Call Circular)

Definitions are not provided, but Ministries were requested to refer to the PBB Manual for guidance. The 2010 PBB Manual takes over the definitions provided in the Finance and Audit (Amended) Act 2008 as indicated below.

A Programme is a group of activities or interventions intended to contribute to a common set of outcomes, priority objectives and outputs that are verifiable, consisting of a defined target and a given budget including staffing and other necessary resources.

A Sub-programme is the programme hierarchy which breaks programmes into sub-programmes and which in turn, break into activities or interventions and is designed to achieve at least one priority objective.

Number and Description of Programmes

3.3 The 2008-09 PBB consisted of 108 programmes and 98 sub-programmes covering 22 Ministries and 17 Government Departments, while that for the six months ending 31 December 2009 consisted of 110 programmes and 90 sub-programmes. The range of programmes for the two fiscal years is presented in Table 3.1.

<table>
<thead>
<tr>
<th>Number of programmes</th>
<th>Number of Ministries/Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008-2009</td>
</tr>
<tr>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>7+</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
</tr>
</tbody>
</table>

3.4 Experiences of other countries and the World Bank suggest that the number of programmes and sub-programmes should be limited to keep them at a manageable level that will facilitate in-depth, policy oriented analysis. Out of the 39 Ministries and Departments 30 have between one to four programmes. A maximum of four programmes is considered to be a realistic manageable number.

3.5 Guidance from the circulars from MOFEE and the 2010 PBB Manual suggests that a programme should be a grouping of the main activities, which contribute to a common outcome while a sub-programme is a group of activities to achieve a specific result within a programme. Each programme/sub-programme should have a distinct name,
which provides a succinct description of the activities. A review of the Ministries’ and Departments’ programmes and sub-programmes listed in the estimates for the two fiscal years has identified that most of the programmes and sub-programmes were expressed in terms that NAO considers really refer to either a unit of the Ministry/Department or to the function of the unit/department. Table 3.2 shows some examples.

Table 3.2 – Examples of programmes referring to either a Unit of the Ministry/Department or to the function of the Unit/Department

<table>
<thead>
<tr>
<th>Ministry/Department</th>
<th>Programme Code</th>
<th>Title of Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judiciary</td>
<td>021</td>
<td>Administration of Justice</td>
</tr>
<tr>
<td>Electoral Commissioner’s Office</td>
<td>081</td>
<td>Electoral Services</td>
</tr>
<tr>
<td>Central Procurement Board</td>
<td>111</td>
<td>Procurement Services</td>
</tr>
<tr>
<td>Meteorological Services</td>
<td>281</td>
<td>Meteorological Services</td>
</tr>
<tr>
<td>Ministry of Finance and Economic Development</td>
<td>362</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>Ministry of Foreign Affairs, International Trade &amp; Cooperation</td>
<td>383</td>
<td>International Trade</td>
</tr>
<tr>
<td>Ministry of Public Utilities</td>
<td>443</td>
<td>Water Resources</td>
</tr>
<tr>
<td>Ministry of Agro-Industry and Fisheries</td>
<td>485</td>
<td>Forestry Resources</td>
</tr>
<tr>
<td>Ministry of Health and Quality of Life</td>
<td>583</td>
<td>Public Health Care and Public Health</td>
</tr>
</tbody>
</table>

3.6 Thus defining appropriate and meaningful programmes is a challenge for Ministries and Departments. Their programmes have rather followed the organisation structure instead of aligning them to their main objectives. Identifying programmes on the basis of objectives to be achieved enables policy-making bodies to make rational decisions on resource prioritisation and allocation.

3.7 Some programmes are very large and mix a variety of different services. Programmes should have been broken into sub-programmes. In most cases this has not been done and in cases where this has been done, some programmes have several sub-programmes which do not appear to be related to the size of the programme. Breaking programmes into sub-programmes makes resource allocation to priority areas easy. It also enables Ministries and Departments to transform the programmes into concrete actions that can be implemented.

3.8 MOFEE has instructed all Ministries and Departments to have a programme called “Policy and Management” to provide for a mechanism to allocate overhead costs not directly attributable to particular programmes, such as costs for top management, rental for office premises, security and IT support. However it seems that the rational for this programme has not been clearly understood. In many instances this programme appears
to include most of the core functions of the Ministry/Department and in other cases they include more than just policy and management functions. Table 3.3 shows some examples.

*Table 3.3 – Examples of ‘Policy and Management’ programmes including most of the core functions or including more than just policy and management functions*

<table>
<thead>
<tr>
<th>Ministry</th>
<th>Programme Code</th>
<th>Title of Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Public Infrastructure, Land Transport &amp; Shipping</td>
<td>321</td>
<td>Policy and Strategy Development for Public Infrastructure, Land Transport and Maritime Services</td>
</tr>
<tr>
<td>Ministry for Tourism, Leisure and External Communications</td>
<td>341</td>
<td>Policy and Management for Tourism and Leisure</td>
</tr>
<tr>
<td>Ministry of Finance and Economic Development</td>
<td>361</td>
<td>Policy and Strategy Development for Economic Growth and Social Progress</td>
</tr>
<tr>
<td>Ministry of Foreign Affairs, International Trade &amp; Cooperation</td>
<td>381</td>
<td>Foreign Policy and Management</td>
</tr>
<tr>
<td>Ministry of Education &amp; Human Resources</td>
<td>421</td>
<td>Education and HR Policy and Management</td>
</tr>
<tr>
<td>Ministry of Public Utilities</td>
<td>441</td>
<td>Utility and Policy Management</td>
</tr>
<tr>
<td>Ministry of Local Government</td>
<td>461</td>
<td>Policy and Management of Local Government</td>
</tr>
<tr>
<td>Ministry of Agro-Industry &amp; Fisheries</td>
<td>481</td>
<td>Policy and Strategy for Agro-Industry and Fisheries</td>
</tr>
<tr>
<td>Ministry of Health and Quality of life</td>
<td>581</td>
<td>Health Policy and Management</td>
</tr>
<tr>
<td>Ministry of Youth &amp; Sports</td>
<td>681</td>
<td>Youth and Sports Policy and Management</td>
</tr>
</tbody>
</table>

**Other observations noted by Audit**

3.9 From our audit it also transpired that

- a large majority of senior management officers and programme managers, who are the main players of the PBB framework, have never been initiated in PBB, let alone being trained
- Officers of the Finance Cadre who have been trained were unanimous to acknowledge that the training has been of little help
- most of the Supervising Officers claimed that some programmes, output and performance indicators submitted by them were changed and replaced by MOFEE
and some of which were not relevant to their Ministry. This may partly explain about the way the term “programme” has been labelled.

3.10 Programmes should focus on the services the Ministry or Department delivers. Traditional budgets, being focused on an input approach, have suffered from a lack of clarity in resource allocation. The lack of clarity is that resource inputs are disconnected from the delivery of services. Similarly if programmes and sub-programmes are not clearly understood, their formulations may result in resources being allocated in a way that may not be connected with the delivery of services, contrary to the objective of PBB. However, NAO recognises that this will take some time to be achieved with continuous refinement and improvement.

Need for a participatory approach

3.11 PBB has been developed as a tool for resource allocation. As this tool is still new for most public servants in Mauritius, defining programmes, the links between programmes and government objectives, outputs, the links between inputs and outputs, and the selection of performance indicators, should have been kept simple until it would become clearly understood. MOFEE has been providing guidance to line Ministries through its Sector Ministry Support Teams (SMSTs) and through its various circulars, guidelines and the PBB Manual. But experience has shown that these are not enough when introducing new concepts.

3.12 A recent publication by the Korean Institute of Public Finance and the World Bank, entitled From Line-item to Program Budgeting (John Kim, Editor; Seoul, 2007), summarizes some key lessons from the global experience, and offers practical advice to countries embarking on this journey. Some of the advice tendered out read as follows:

(i) Government reform often fails because it is poorly implemented. The design may be sound, but if its purposes are not clearly understood, or if stakeholders view it as a threat or burden, reform will wither. .... In modern times, reform must be consultative and participatory..... A reform program that is ambitious must have committed allies; if it doesn’t, it will most certainly have powerful adversaries instead. It is essential, therefore, (for the Ministry of Finance) to actively enlist other central agencies and line ministries in the reform process – consulting them before key decisions are made, being sensitive to their concerns, and using their expertise and experience to improve the reform strategy and build support for it.

(ii) An effective program budgeting system cannot be developed centrally by the Ministry of Finance alone. Program budgeting is not simply about changing the way a budget is presented, but about changing the way policy officials, the public and government staff think of the government, how they plan, manage and budget. Each line ministry and agency needs to engage in the process of developing a program structure for their budget. Line ministry management and staff---not consultants---must undertake the work.

(iii) While some effort in developing a program structure is important, developing the perfect structure is not essential before beginning to use it for management and budgeting purposes. Some expectation that the structure will be refined is realistic.
However, it should not be such a light exercise that the program structure changes annually.

(iv) If the program budget exercise is undertaken as a perfunctory, paper-based task, with short deadlines, it is not likely to achieve its full benefit. Each Ministry should take the opportunity as a Ministry to better understand what activities they undertake and how these relate to Ministry objectives.

3.13 Various studies have shown that the degree of success in implementing the budgetary reform programme is higher when the whole process is driven and owned by implementing agencies.

3.14 The move to the PBB approach involved a paradigm shift of mindset and work culture. From our audit, it has transpired that while achievements have been made in producing budgets based on programmes, there are problems of terminologies used and that these Programme-Based Budgets have been driven by MOFEE, particularly in the development of programmes, outputs and performance indicators. In spite of the “assistance” tendered by MOFEE, it would seem that the link between programmes and sub-programmes with outputs/priority objectives/service standards has not been firmly established.

3.15 It is important that line Ministries are engaged, as consultation is critical in defining programs and designing the program structure. Line ministries are much better positioned than those in central agencies to know who is served by particular programs, how various activities are related, the aims they serve, which performance indicators make sense, and so on.

**Recommendations**

3.16 The primary objective of the PBB is to bring about a “performance culture” in the public service. To ensure the success of this initiative requires -

- A gradual step by step approach to bring out the change.
- Consideration be given to the absorption capacity rate of ministries and departments and not to overload the PBB with numerous programmes, sub-programmes and other performance indicators. In a nutshell – keep the framework simple.
- A genuine decentralization and capacity building that will ensure ownership of the programmes by line Ministries and the development of in-house capacity for analysis, planning and reporting.
- Securing buy-in for the reform process and the commitment of staff at all level in line Ministries and Departments, especially the top management, to ensure ownership and success in implementation.
- Capacity building. Capacity building is a corner stone for all new initiatives. Having competent and skilled people is vital for understanding and implementing the new changes. Extensive and intensive training and retraining are required through on-the-job-training particularly during the pilot and indicative
implementations. A thorough understanding of how to design and implement a programme budget system cannot be overemphasised.

- That the budgetary reform programme should not remain a top-down approach. It should result from inclusive, participatory, multi-stakeholder processes.

- Establishment of benchmarks of the quality of service delivery.

3.17 Experience from other countries suggests the following criteria for defining a programme structure:

- Each programme should have a clearly articulated objective, which is aligned with the objectives of Government

- Programmes should be broken down into sub-programmes and activities

- The programmes should not change every year

- Programmes should correspond to the main lines of service delivery of the Ministry, and programme name should reflect this.

- All departmental functions should fall within programmes. Each and every function and activity undertaken by a department should be included in relevant programmes. There should be no unassigned activities or functions.

- Sub-programmes are parts of programmes. Sub-programmes should be created for the delivery of subordinate services and activities within a programme.

- Each sub-programme should have a distinct name, which provides a succinct description of the core services and activities

3.18 Ministries and Departments should be provided with appropriate training, tools and support for developing their programme structure. Two of the tools currently used are:

(i) The “logframe” or logical framework model. The logframe is a four-by-four matrix that adds some discipline to the exercise of thinking through the programme objectives, what interventions are proposed, how their impact will be measured, and to make explicit any critical assumptions in the programme.

(ii) The Logic Model, sometimes called the Program Logic Model. The Logic Model is a simplified representation of a program, and illustrates the logical relationship between resources, activities, and expected results.
4. Outcomes and Outputs

Introduction

4.1 The PBB framework provides a common budget and reporting accountability framework for Ministries and Departments. Many countries struggle with defining appropriate outcomes, outputs and performance indicators. Each Ministry/Department is required to specify the outcomes and output of each of its programmes. Both the outcomes and the outputs should relate directly to the services provided by the Ministry/Department.

Definitions

4.2 As in the case of programmes, guidance provided by MOFEE in the various budget circulars lacks consistency in the definition of outcomes and outputs. This is shown in the examples below.

1. “Guidelines for Preparing Program Budgets” attached to Circular No. 3 of 2007 (Expenditure Proposals for 2007-08, 2008-09 and 2009-10)

   **Outcome:** An outcome is the description of the intended result, effect or consequence that will occur for carrying out a programme beyond its direct outputs

   **Output:** Outputs establish what activities should be carried out and completed and what is to be accomplished; how much is to be accomplished; by whom and by when. Outputs have to be specific, realistic, measurable and time bound.

2. Annex C (Supplementary Advice on Programme-Based Budget Statement Preparation) of Circular No. 3 of 2008 (Expenditure Proposals for, 2008-09, 2009-10 and 2010-11)

   **Outcome:** An outcome is the specific intended result, effect or consequence that occurs due to provision of outputs.

   **Output:** Outputs are the goods and services delivered by a Ministry to external customers with the aim of achieving Ministry objectives and outcomes. Outputs should have the following characteristics:

   - It must be a good or service delivered to someone outside the sub-programme
   - It must not be an activity. Activities are actions
   - Outputs are quantified by number or volume
   - Outputs have consistent qualitative characteristics
   - A customer or beneficiary for the output can be identified.
3. *Circular No. 18 of 2008 and No. 3 of 2010 (Budget Call Circular)*

Definitions are not provided, but Ministries were requested to refer to the PBB Manual for guidance.

**Definition in 2010 Manual for Programme-Based Budgeting**

**Outcome:** Outcomes are changes in the economic, physical, social and cultural environments which the Ministry/Department is trying to influence.

**Output:** The products, capital goods and services which result from a development activity/intervention; it also includes changes resulting from the intervention which are relevant to the achievement of outcomes.

- *Indirect Outputs:* internal clients - Services which are supplied to an internal user rather than to the external client, e.g. IT support services delivered by the Ministry in charge of IT to other Ministries/Departments.

- *Direct Outputs:* external clients - e.g. number of girls and boys’ inoculations.

**Outputs:** Goods produced and services delivered

- Must link to the relevant Priority Objective
- Must be able to measure them
- Must be able to compare them (previous year, benchmarks, etc.)
- Must be easy to understand.

To simplify the PBB, there will only be one output for each activity.

**Number and Description of Outcomes and Outputs**

4.3 The number of outcomes and outputs covering the 22 Ministries and 17 Government Departments, for the fiscal year 2008-09 was 118 and 559 respectively, while for the six months ending 31 December 2009 there were 131 outcomes and 716 outputs. The range of outcomes and outputs in fiscal year 2008-09 and six months ending 31 December 2009 is presented in Tables 4.1 and 4.2.
### Table 4.1 – Number of outcomes per Ministry/Department

<table>
<thead>
<tr>
<th>Number of Outcomes</th>
<th>Number of Ministries/Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008-09</td>
</tr>
<tr>
<td>1 – 2</td>
<td>18</td>
</tr>
<tr>
<td>3 – 4</td>
<td>11</td>
</tr>
<tr>
<td>5 – 6</td>
<td>7</td>
</tr>
<tr>
<td>7+</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
</tr>
</tbody>
</table>

### Table 4.2 – Number of outputs per Ministry/Department

<table>
<thead>
<tr>
<th>Number of Outputs</th>
<th>Number of Ministries/Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008-2009</td>
</tr>
<tr>
<td>1 – 5</td>
<td>17</td>
</tr>
<tr>
<td>6 – 10</td>
<td>1</td>
</tr>
<tr>
<td>11 – 20</td>
<td>11</td>
</tr>
<tr>
<td>21 – 30</td>
<td>7</td>
</tr>
<tr>
<td>31 – 50</td>
<td>2</td>
</tr>
<tr>
<td>51 – 80</td>
<td>0</td>
</tr>
<tr>
<td>80+</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
</tr>
</tbody>
</table>

4.4 Realism and the recognition of financial and human resource constraints suggest that countries should aim initially to identify and develop a manageable number of outcomes and outputs for each program. It should be noted that, since outputs are intermediate services or products for arriving at a final objective or result, measuring many outputs do not necessarily mean that outcomes are being achieved.

4.5 From Tables 4.1 and 4.2 it can be seen that 10 or more Ministries and Departments had more than four outcomes and 20 outputs. In addition, the following were also noted:

- In some cases, one programme has been broken into three to four sub-programmes
- Some of these sub-programmes have up to eight objectives. Some objectives in turn have up to six outputs and some outputs have up to eight performance indicators
- In a few cases, two to four objectives altogether have only one output
- In a few cases, one programme has two to four outcomes.
The above observations provide an indication of the different ways Ministries and Departments have interpreted and applied the guidance from MOFEE. They also indicate the extent to which the PBB framework has not been understood both by the line ministries and departments, and MOFEE.

4.6 Ministries and Departments including MOFEE have confused outcomes, objectives and outputs. This confusion causes problems in the identification of performance indicators. Another implication of this confusion is that Ministries and Departments have problems in distinguishing between what they can be held to account for delivering (outputs) and what they are influencing with their outputs.

4.7 A review of the outcomes statements and outputs identified:

(i) Outcomes statements expressed in words which are more of a vision or mission statement or objectives or functions.

(ii) Outcomes statements that NAO considered were expressed in broad terms and did not specify the target group or the result or impact to be achieved.

(iii) Outputs formulated in words that more reflect outcomes or general activities.

(iv) Outputs formulated in a way that is difficult to measure, while some of those that can be measured have been set at a low level that have either been already achieved in the past or can be easily achieved.

(v) Some outputs were not within the control of the Ministry/Department.

(vi) Some outputs that have been expressed in a way that clearly identified the deliverables of the Ministry/Department and others that did not.

Table 4.3 and 4.4 present some examples of outcomes statements which are more of a vision or mission statement, or objectives, or functions, and outputs which are more of outcome statements.
Table 4.3 – Examples of outcomes statements expressed as vision or mission statement, or objectives, or functions

<table>
<thead>
<tr>
<th>Programme Code</th>
<th>Outcome Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>021</td>
<td>An efficient judiciary that preserves the rule of law and protects the fundamental rights and liberties of the citizen enshrined and guaranteed by Constitution</td>
</tr>
<tr>
<td>061</td>
<td>Ensure that administrative action by government agencies is fair and accountable</td>
</tr>
<tr>
<td>211</td>
<td>Inform citizens about Government policies, objectives and decision-making through different media</td>
</tr>
<tr>
<td>231</td>
<td>Undertake regular reviews of pay and grading structures in the Public Sector and make appropriate recommendations</td>
</tr>
<tr>
<td>263</td>
<td>Intervene promptly to emergencies and disasters</td>
</tr>
<tr>
<td>302</td>
<td>Achieve excellence in the delivery of timely and quality public services</td>
</tr>
<tr>
<td>383</td>
<td>Increase national prosperity through trade agreements and create the market place to allow Mauritian firms to be globally competitive</td>
</tr>
<tr>
<td>483</td>
<td>Enhance food security through efficiency gains in crop production, more effective control of plant pests and diseases and a wider range of crop materials and production technologies</td>
</tr>
<tr>
<td>582</td>
<td>Delivery of efficient and high quality services at public hospitals</td>
</tr>
</tbody>
</table>

Table 4.4 – Examples of outputs formulated more as outcomes

<table>
<thead>
<tr>
<th>Programme/Sub-programme Code</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>26202</td>
<td>Reduce fatal and other road accident</td>
</tr>
<tr>
<td>292</td>
<td>Drugs free units in prisons</td>
</tr>
<tr>
<td>38202</td>
<td>Raise visibility of Mauritius</td>
</tr>
<tr>
<td>402</td>
<td>Air pollution at Industrial Estates is minimised</td>
</tr>
<tr>
<td>405</td>
<td>Increase access to socially oriented-amenities to the community</td>
</tr>
<tr>
<td>42701</td>
<td>The educational needs of children with special needs are met</td>
</tr>
<tr>
<td>48202</td>
<td>Area of small planters’ lands consolidated into holdings of at least 8 hectares and subsequently de-rocked</td>
</tr>
<tr>
<td>50203</td>
<td>Improve the quality of life of Centenarians</td>
</tr>
<tr>
<td>523</td>
<td>The population is better sensitised on the rights of the child</td>
</tr>
<tr>
<td>54202</td>
<td>A well-informed workforce on occupational safety and health issues</td>
</tr>
<tr>
<td>58202</td>
<td>Enhanced accessibility to traditional medicine</td>
</tr>
</tbody>
</table>
Recommendations

4.8 The definitions of all terminology and concepts should be clarified and clearly understood by all Ministries and Departments.

4.9 MOFEE and line Ministries and Departments should be provided with more guidance on identifying relevant and appropriate outcomes and outputs.

4.10 Outcomes statements should be sufficiently specific and enable the identification and measurement of the contribution of a Ministry/Department to the achievement of outcomes.

4.11 Outputs should describe the key deliverables produced by a Ministry/Department in contributing to the achievement of outcomes and enable the measurement of the efficiency of delivering these outputs.

4.12 MOFEE should perform quality reviews on all programmes, outcomes and outputs to ensure their appropriateness and consistency across Ministries and Departments.

4.13 The number of programmes, sub-programmes, outcomes and outputs should be limited to a manageable level.

4.14 Outputs should satisfy the “FABRIC” criteria i.e.:

- **Focused** on the organisation’s objectives and on its key deliverables
- **Appropriate** to, and useful for, the stakeholders e.g. providing information on its actual deliverables
- **Balanced**, giving a picture of what the organization is doing, covering all significant areas of work
- **Robust** in order to withstand organizational changes or individuals leaving
- **Integrated** into the organization being part of business planning and management processes
- **Cost Effective** balancing the benefits of the information against the costs.
5. Performance Indicators

Introduction

5.1 Under the PBB framework Ministries and Departments are required to develop a range of performance indicators for management decision making purposes and to provide information to external stakeholders. Guidance from government budgeting literature emphasises the importance of agencies developing a concise basket of specific and well-understood indicators which are cost effective to collect, store and manage.

Definitions

5.2 Guidance from MOFEE in the various budget circulars provides the following definitions:

1. “Guidelines for Preparing Program Budgets” attached to Circular No. 3 of 2007 (Expenditure Proposals for 2007-08, 2008-09 and 2009-10)

   Performance indicators are defined and then used to observe progress and to measure actual results compared to expected results. The budget performance is preferably measured in terms of Quantity/Quality/Efficiency/Effectiveness according to the relevance of the situation.

2. Annex C (Supplementary Advice on Programme-Based Budget Statement Preparation) of Circular No. 3 of 2008 (Expenditure Proposals for 2008-09, 2009-10 and 2010-11)

   Performance indicators are used to measure the achievement of outcomes and outputs relating to programmes and sub-programmes.

3. 2010 Manual for Programme-Based Budgeting

   A performance indicator can be defined as the measurement of an objective to be met, a resource mobilized, an effect obtained, a gauge of quality or a context variable. Indicators demonstrate how to measure elements of programmes/sub-programmes. In Mauritius, they are used as “Service Standards”.

   The above further indicate the lack of clarity and consistency regarding definitions.

Better Practice

5.3 Indicators are expected to incorporate better practice characteristics, including the SMART criteria as outlined in Table 5.1.
Table 5.1 – Better practice characteristics for performance indicators

Better Practice Characteristics for Performance Indicators

<table>
<thead>
<tr>
<th>Specific</th>
<th>Clear and concise to avoid misinterpretation of what is to be achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measurable</td>
<td>Can be quantified and results can be compared to other data and able to show trends if measured over time</td>
</tr>
<tr>
<td>Achievable</td>
<td>Practical, reasonable and credible given available resources and expected conditions</td>
</tr>
<tr>
<td>Relevant</td>
<td>Informative and useful to stakeholders</td>
</tr>
<tr>
<td>Timed</td>
<td>Specify a timeframe for achievement and measurement</td>
</tr>
<tr>
<td>Benchmarks</td>
<td>Reference to appropriate standards for comparison where possible</td>
</tr>
<tr>
<td>Targets</td>
<td>Includes an indication of the desired level of achievement</td>
</tr>
</tbody>
</table>

Source: Australian NAO Audit Report No. 23, 2006-07

5.4 It is important that performance indicators, both financial and non financial, are designed to provide the Ministry/Department with information of sufficient quality that can be relied on by both the management and the stakeholders in making judgements about the performance of the Ministry/Department. In circumstances where external factors impact on performance of the Ministry/Department, explanatory and contextual information should be provided to assist stakeholders’ understanding of the performance information reported.

5.5 Ministries and Departments should also consider the cost of collecting performance information and establish a systematic approach to reviewing indicators so that they remain relevant and informative to stakeholders.

Quality of performance indicators

5.6 Our review of performance indicators identified the following:

- The way programme outcomes and outputs were described were not relevant to identify meaningful performance indicators.

- Many indicators were expressed in terms that more describe general activities than performance indicators. Table 5.2 present some examples:
Table 5.2 – Performance indicators expressed as general activities

<table>
<thead>
<tr>
<th>Programme</th>
<th>Output</th>
<th>Performance Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>211</td>
<td>Official publications</td>
<td>Production of GIS Newsletter</td>
</tr>
<tr>
<td>241</td>
<td>Improvement of quality of product</td>
<td>New national identity card introduced</td>
</tr>
<tr>
<td>292</td>
<td>Providing proper quality and quantity of food to detainees</td>
<td>Renovation to prison kitchen at New Wing Prison</td>
</tr>
<tr>
<td>441</td>
<td>Implementation of all the policy measures</td>
<td>Setting up of an Energy Efficiency Unit</td>
</tr>
<tr>
<td>36303</td>
<td>Provision of financing to NGOs and other Civil Society organisations for community-based programmes aimed at poverty alleviation</td>
<td>Poverty alleviation projects implemented</td>
</tr>
<tr>
<td>38201</td>
<td>Mauritians can travel to EC without a tourist visa</td>
<td>Sensitisation of implementation of EU Visa Waver and compliance</td>
</tr>
<tr>
<td>642</td>
<td>Affordable housing to low-income families</td>
<td>Allocate completed housing units on 6 sites</td>
</tr>
</tbody>
</table>

- Many quantity indicators were not combined with efficiency measures to make them meaningful. For examples:
  - Number of searches carried out,
  - The number of trainees rehabilitated,
  - Director of Audit issues dealt with,
  - 5 working day rule met,
  - Number of PPP projects where public institutions are assisted,
  - Number of cases initiated after January 2009 determined,
  - Number of new enterprises set up through the National Women Entrepreneur Council.

- In the case of the Ministry of Health and Quality of Life the indicators were expressed as greater or less than an amount or percentage. These targets are not clear. They have to be stated in definite terms.
Many indicators were beyond the control of the Ministry/Department concerned. For examples:

- Number of victims referred to medical intervention
- Expected number of subscribers of “Centres des Lecture et d’animation Culturelle”
- Number of organisations paying to obtain Productivity Improvement Tools
- Progression in the number of pigs
- Fish exports (tons) certified as compliant
- Number of people screened at community level

A number of the performances were capable of being achieved, being set at a low level. Table 5.3 presents some examples:

Table 5.3 – Performance indicators set at a low level

<table>
<thead>
<tr>
<th>Programme</th>
<th>Output</th>
<th>Performance Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>34202</td>
<td>Grading and quality endorsement system for tourist enterprises</td>
<td>% of tourist enterprises graded and classified based on the grading and quality endorsement classification system</td>
<td>20%</td>
</tr>
<tr>
<td>32402</td>
<td>Highly sensitised population on road safety</td>
<td>Number of drink driving campaigns carried out</td>
<td>1</td>
</tr>
<tr>
<td>38201</td>
<td>Provision of recurrent and ongoing training on diplomacy</td>
<td>Number of courses run per year</td>
<td>1</td>
</tr>
<tr>
<td>464</td>
<td>Fire safety awareness</td>
<td>Increase in the number of talks, lectures and fire drills delivered</td>
<td>5%</td>
</tr>
<tr>
<td>60201</td>
<td>Promotion of Mauritius as a film shooting destination</td>
<td>Number of short films produced</td>
<td>2</td>
</tr>
<tr>
<td>40401</td>
<td>Increased access of the community to sports/recreational facilities</td>
<td>Number of Volleyball pitches upgraded</td>
<td>3</td>
</tr>
</tbody>
</table>
**Recommendations**

5.7 Ministries and Departments should develop appropriate indicators that incorporate better practice characteristics that provide stakeholders with meaningful performance information.

5.8 Performance Indicators should be subjected to periodic review to ensure that they remain relevant.

5.9 It is essential that the performance indicators be selective, that is, that they be few in number.
6. Capturing Performance Information and Monitoring Performance

Introduction

6.1 Periodic assessment of performance in relation to the achievement of objectives or outcomes and the delivery of outputs is an important management responsibility. In fact reporting and monitoring play an important role in policy formulation and future planning. Consequently the systems and processes for capturing and monitoring performance information should be robust and reliable for performance management activities to be robust.

6.2 Ministries and Departments should seek to measure and monitor, in a cost effective manner, the degree of their own contribution towards the achievement of an outcome. This is particularly important in circumstances where external influences significantly impact on the achievement of outcomes.

Monitoring of outputs and performance indicators

6.3 MOFEE requires Ministries and Departments to follow up progress of Performance Indicators contained in their respective PBB to ensure that targets set in terms of delivery of outputs and performance indicators are met. Supervising Officers have to submit to MOFEE, on a quarterly basis, an assessment of the progress towards achieving targets and eventually the outcomes. In addition they have to submit an Interim Performance Report (IPR) on the status of the outputs and performance indicators and the likely performance for the first six months period and an Annual Performance Report (APR).

6.4 With the exception of the setting up of an Internal Monitoring Committee at management level, the PBB framework does not provide for a monitoring and reporting mechanism that would help efficient collection of data and reporting processes. Consequently the collecting and reporting of qualitative information is a challenge to Ministries and Departments. The situation gets complicated in cases where Ministries and Departments feel that the output and performance indicators imposed on them are not relevant to the Ministry/Department. This demotivates Ministries and Departments to submit their progress report.

6.5 The progress reports include an evaluation of performance to date. However because of the lack of an internal monitoring mechanism, information are located and collected in an ad hoc basis at the reporting time. Such a process does not support the production of data and in turn, accurate and timely reports. Moreover, Ministries and Departments have not deemed it necessary to put in place any procedure for ensuring the accuracy and reliability of the performance information.

6.6 MOFEE has assured Ministries and Departments of the provision of an IT package for the monitoring and reporting purpose. This has not been the case, and also no guidance was provided to assist Ministries and Departments in identifying methods of capturing,
monitoring and reporting of performance information. Ministries and Departments have been left to themselves.

6.7 The progress reports are prepared just for the purpose of submission to MOFEE. No other use is made of the performance information, not even in analysing their performance results.

**Recommendations**

6.8 MOFEE should assist Ministries and Departments in putting in place a robust system for capturing and monitoring performance information. The system should include quality assurance arrangements.

6.9 Use of IT facilities to support the production of progress reports.
7. Conclusion

7.1 In 2006-07, Government launched an economic reform programme which included the reform of the budget process by introducing a Programme-Based Budget (PBB). PBB was being introduced to shift the focus of the budgetary process from an input-based annual activity to a performance-based exercise that links the funds appropriated by the National Assembly to outputs, in the first instance, and, at a later stage, to outcomes. This initiative of Government was aimed to improve the efficiency and effectiveness of public spending so as to achieve better social and development outcomes.

7.2 In a short span of three years, Government has made great progress in the implementation of PBB. MOFEE has managed to instil a sense of performance orientation throughout the government. Recognising that implementation is still in the early stages, there are still much more to be done to reap the benefits of aligning resource allocation to policy priorities and improving service delivery implementation.

7.3 Reforms are costly, time consuming, difficult to implement, require new procedures and skills, and often a new mindset. Plans to implement program budgeting to improve the linkage between resource allocation, policy objectives and performance may only be achieved when the difficulties of implementation are recognized and a strategic implementation plan is developed to ensure greatest possible chance of success. Below are some key considerations for successful implementation based on other countries experience.

Consensus Building

7.4 Consensus building is imperative in PBB. Government reform often fails because it is poorly implemented. To succeed, reformers must win over those who produce information, provide services, and manage bureaus and agencies. A reform program must have committed allies; if it doesn’t, it will most certainly have powerful adversaries instead. It is essential, therefore, to actively enlist other Ministries and Departments in the reform process – consulting them before key decisions are made, being sensitive to their concerns, and using their expertise and experience to improve the reform strategy and build support for it.

7.5 Agreement should also be obtained on terminology and concepts to avoid misinterpretation and confusion. It is critical that outcomes, outputs and performance indicators be defined simply and applied consistently across all Ministries and Departments.

Strategic Plan

7.6 Each Ministry/Department should have a strategic plan. This plan should be used as the basis for developing a programme structure and for resource allocations to programmes and sub-programmes.
Ministries and Departments designing their own PBB

7.7 Having Ministries and Department design their own program structure aims to foster a sense of ownership. Development of the program structure should be done in close cooperation with the MOFEE through consultations. MOFEE can offer policy advice and direction for line ministries who in turn will have the opportunity to express their views and visions for the new budget structure.

A gradual approach to reform implementation

7.8 A gradual approach may be most appropriate given the magnitude of change program budgeting will involve. The advantage of a gradual approach is to make sure the new budget system is accepted and well understood and, at the same time, allow time for other ministries to learn more about the new system and its effects.

Capacity Building

7.9 Introducing PBB requires intensive training of officials, so that they have a good understanding of the concepts and system by the time of implementation. Training should include both theoretical concepts and practical applications. Only few Officials were trained. Most of the training was given to officers in the Finance Cadre, when it would be more relevant to people who are involved in developing policy and implementing service delivery. Even then the training programmes provided by MOFEE were felt to be too compact and not of much help.

7.10 More capacity building is required to deepen the understanding of officials ranging from operational to top management. Specific areas for capacity-building include strategic planning, costing, performance measurement, monitoring and evaluation. As stated above it should include practical work sessions.

Monitoring and Evaluation

7.11 The accounting system should facilitate the recording and accounting of expenditure according to programmes. Mechanisms should be put in place to monitor and evaluate programme performance. To reap the benefits of the PBB performance measures and targets that are meaningful and reliable indicators of the functions of the particular ministry should be chosen. These performance measures must be able to be assessed.