1. Since its introduction in 2008, Programme-Based Budgeting (PBB) has changed the budgetary focus from an input-based annual activity to a performance-based exercise that has laid solid foundations for the modernisation of public policy and financial management. Embedded in a Macro-Fiscal Framework and a Medium Term Expenditure Framework (MTEF), the implementation of PBB has improved the planning function of Ministries/Departments and enhanced transparency and accountability in the use of public funds.

2. Budgetary reform was followed by enabling legislative changes in the Finance and Audit Act, Public Procurement Act, and Public Debt Management Act which have supported Government’s efforts to reduce the budget deficit and public sector debt. These achievements have been acknowledged by the IMF’s positive appreciation of the economic stewardship of Government in the 2013 Article IV Consultation Report:

“The authorities have a good track record of prudent macroeconomic management and implementing structural reforms even though challenges remain. Macroeconomic management has delivered low inflation, declining debt-to-GDP ratios, and, given the difficult external environment, satisfactory growth. This outcome has been helped by consistent efforts to improve public financial management, the business climate, social assistance, and the sustainability of public finances, including on pensions.” (IMF, 2013)

3. New initiatives have been taken in 2013 to consolidate and deepen public financial management reforms, with three key objectives: integrating the planning and budgeting framework; enhancing performance information management; and strengthening internal and external accountability. As part of the Economic and Social Transformation Plan (ESTP) preparation process, Ministries/Departments have formulated ten-year outcomes and indicators, which will underpin their medium term policy interventions and goals. Ministries worked out their proposals for 2014-2016 on the basis of the longer-term outcomes and mid-term operational actions reviewed at Policy Dialogue meetings. In this respect, the decision to set up the National Strategic Transformation Commission (NSTC) is a major milestone in providing oversight and policy guidance.

4. The progress made by Mauritius in the PFM reforms has attracted interest from many countries in the region for sharing experience and peer to peer learning. In line with the objective to promote South-South collaboration, MOFED organised study tours for delegations of senior budget officials from Maldives, Zanzibar, Burkina Faso, Democratic Republic of Congo this year.
5. Notwithstanding the progress made so far, there is need to further consolidate and deepen the reform process. To this end, various initiatives are planned for next year. These include:

(i) Building on the policy dialogue on ESTP to finalise the planning framework for policy reforms.

(ii) Strengthening public financial management legislative framework based on consultations with donors and key stakeholders.

(iii) Improving disclosure of information on, and management of, fiscal and governance risks emanating from State Owned Enterprises (SOEs) by, *inter alia*, reviewing the legal framework and practices.

(iv) Integration of risk management strategies within the strategic planning approaches of Ministries/Departments so that:
- planned outcomes, outputs and activities do not expose them to unacceptable levels of risks;
- use of resources is consistent with Government priorities; and
- actions of staff at all levels in Ministries/Departments are managed within the risk framework.

(v) Developing a fair and transparent grant-in-aid formula for local authorities.

(vi) Publishing estimates of the impact of measures announced in the budget.

(vii) Introducing annual reporting by all Ministries/Departments thereby providing an integrated account of financial and non-financial performance.

(viii) Reviewing, in collaboration with the Ministry of Public Infrastructure, the Investment Project Process Manual to accelerate appraisal of public sector projects.

(ix) Developing a framework for building strong Monitoring & Evaluation (M&E) mechanisms within Ministries/Departments at different levels, including ex-ante cost-benefit analysis for all major Government projects, comprehensive spending reviews and incentive systems.

(x) Continuous peer to peer learning and South-South cooperation in collaboration with UNDP, Regional Multidisciplinary Centre of Excellence (RMCE), the Collaborative Africa Budget Reform Initiatives (CABRI), AFRITAC East and South and Africa Training Institute (ATI).

(xi) Completing the E-Budgeting project.