

INTRODUCING THE PROGRAMME-BASED BUDGET (PBB)

A Programme-Based Budget (PBB) – embedded in a 3-year Medium Term Expenditure Framework (MTEF) – is being introduced to change the focus of the budgetary process from an input-based annual activity to a performance based multi-annual exercise that clearly links the funds appropriated by the National Assembly to outputs (the goods and services produced by Government) and outcomes (the changes observed by citizens in their life, over time, from the supply of these goods and services).

This year the exercise is only **INDICATIVE** as it is the first time that we are adopting this approach for the Government as a whole. We are, however, benefiting from earlier efforts to have an MTEF in pilot ministries. Building on this year's work, the 2008/09 budget will be prepared as a PBB.

The main motivations for introducing PBB are similar to those prevailing in other countries that have moved in this direction. These countries have typically been concerned about a high level of public debt and excessive budget deficits that constrained their fiscal space to expand social and development spending. We are clearly in need of this approach to regain control of our public finances to support development and the expansion of social services. As a result of our reforms, we have reduced public debt from 71 percent of GDP in 2005/06 to below 66 percent of GDP in 2006/07. However, it still remains too high to give us the manoeuvring room we seek to support the restructuring of the economy while widening the circle of opportunities.

IMPLEMENTING PERFORMANCE BUDGETING: CASE OF SOUTH AFRICA

In 1994 South African public debt had risen to almost 47 per cent of GDP (from a level of approximately 30 per cent, ten years earlier). This level of debt left the South African Government very little fiscal room to finance development and social services. The annual budgeting system the South African Government inherited in 1994 provided inadequate tools with which to stabilise fiscal balances and manage the required policy shifts. It was highly fragmented, in terms of de-linking of policy, budgeting and implementation. Just as we still do, the budgetary process planned and controlled for inputs and cash, with limited opportunity for systematic assessment of the efficiency and effectiveness of spending, or for relating allocations directly to policy. It was not transparent, with poor underlying information systems, hidden spending and inadequate mechanisms to extract good information for use in the budget process and for accountability purposes. Accountability was procedural and the system was plagued by deeply entrenched inefficiencies. The introduction of PBB took three or four years to be embedded and delivered fiscal consolidation with an improvement in the delivery of public services. South African debt had fallen by 16 percentage points to 31 percent of GDP by 2005.

In addition to assisting in controlling spending and lowering debt, the PBB will improve the efficiency and effectiveness of public spending and lay the foundations for modernisation of our public expenditure management systems. Specifically, PBB, allows 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; and (vi) to strengthen fiscal transparency by making Government spending, its objectives and results clearer to the public.

The PBB, as a tool of policy analysis, will facilitate comparison and evaluation of the cost-effectiveness of alternative spending options that have the same objectives. It will also enable Government to plan ahead and set spending priorities. It will help improve Government performance by delegating managers operating discretion with measurable performance accountability.

In this year's INDICATIVE PBB, we have identified a total of 96 programmes across Government and the staffing information is now provided by ministry and by programme as an indicative basis for the MTEF period (2007/08 - 2009/10) in line with the recommendations made through the activities of the Public Service Reform (PSR). Budgetary allocations are tied to measurable objectives while performance indicators, an inherent part of MTEF, allow progress to be measured in terms of attaining the objectives. Budget performance is preferably measured in terms of quantity, quality, efficiency and effectiveness according to the relevance of the situation.

We will continue to improve the framework as we proceed and the format and content of the PBB are likely to evolve significantly as we gain experience in adapting it to the circumstances of Mauritius.

MTEF and PBB require commitment and discipline at the level of the decision-making process if all of the potential benefits are to be realised. The successful implementation of these initiatives will depend on the close collaboration of all public sector organisations and stakeholders. This year's efforts show what can be achieved when the line Ministries and the Ministry of Finance and Economic Development work closely together. By building on this close collaboration, we should be able to produce a binding PBB for approval by the National Assembly next year.
