

IMPLEMENTING THE BUDGET REFORM

In 2006, Government launched a comprehensive and deep reform programme aimed at transforming the country into a competitive and resilient economy and widening opportunities for all.

As an integral part of that reform drive, it was decided to accelerate implementation of Programme-Based Budgeting (PBB). International experience suggests that PBB can be a very effective tool in enhancing fiscal discipline, bringing efficiency gains and promoting good governance in the public sector. By providing the required information framework for linking the resources being used and the results being obtained, it allows the setting of targets and performance indicators for which the managers and policy-makers would be accountable. The PBB would be embedded in a Medium-Term Expenditure Framework (MTEF) to provide a three-year planning framework while retaining an annual proposal for appropriation by Parliament. The longer planning horizon allows Government to project the impact of current policy/strategy choices on future budgets.

The first stage of implementing the budget reform was undertaken for the 2007-08 Budget with the preparation and publication of an "Indicative PBB". As was then indicated in the document, the objective was *"to change the focus of the budgetary process from an input-based annual activity to a performance based multi-annual exercise that clearly links the funds appropriated by the National Assembly to outputs (the goods and services produced by Government) and outcomes (the changes observed by citizens in their life, over time, as a result of the supply of these goods and services)."*

It was then hoped that with the close collaboration of the line ministries, the 2008/09 Budget would be presented to the National Assembly for approval and executed in a PBB framework and format. This is now a reality.

In May 2008, the **Finance and Audit Act** was amended to provide for the introduction of the Appropriation Bill into the National Assembly on a PBB basis as from fiscal year 2008-09. The Standing Orders of the National Assembly were amended accordingly. A new Public Debt Management law was simultaneously introduced to set statutory ceilings and targets on public sector debt levels, thus reinforcing fiscal discipline.

Taken together, those two Acts call for significant extension of the scope and quality of government reporting on the spending plans of line ministries and for higher levels of transparency in government financial operations. They in fact require an overhauling of the way the Estimates have traditionally been prepared and presented.

At the same time, since the shift to PBB would necessitate a new Chart of Accounts (COA), opportunity has been taken to align its definitions and methodology of

classification of fiscal transactions with that of **the Second Edition of the Government Financial Statistics Manual (GFS Manual 2001)** of the IMF. This Manual which replaces the GFS Manual 1986 recommends a shift from traditional cash basis accounting to accrual basis of recording and focuses on the integration of balance sheets with transactions and flows.

This 2008/09 Estimates document presents a new way of organizing information on the inputs (both financial resources and human resources) and expected outputs. It integrates the traditional Recurrent and Capital Estimates of each Ministry into one unified accounting framework. The format chosen for the 2008/09 PBB attempts to organize Ministry's functions into a set of coherent Programmes and Sub-programmes, align the Programmes with Outcomes, the Sub-Programmes with Priority Objectives and the Outputs with at least one verifiable Performance Indicator.

Under PBB, the budget process would involve a careful evaluation of policy priorities, strategic plan and spending proposals of line ministries that allows the Government to consider the necessary trade-offs when having to choose between spending priorities or decide on the sequencing of implementation. This new approach to planning and budgeting ensures the sustainability and improves the efficiency of our extensive social and economic spending programmes.

It is widely recognized that implementation of a PBB system of budgeting and to accrual accounting will take a few years to complete. Progress will be gradual and will continue over the next budgets.