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## FOREWORD

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1. Since the introduction of programme-based budgeting in 2007-2008, the budgeting process has considerably improved, shifting from an input-based annual activity to a performance based multi-annual exercise that links the funds appropriated by the National Assembly to outputs and outcomes. The planning function has been improved by developing tools and issuing guidelines for the elaboration of 3-year PBB strategic plans, prepared by all ministries and some departments for the first time in 2011.

2. The 2010 Public Expenditure and Financial Accountability (PEFA) assessment has shown that Mauritius continued to perform well against the PEFA benchmarks. The dimension scores demonstrated progress compared to the 2007 PEFA assessment, with 23 out of the 31 reported ratings, higher or equal to those obtained in 2007 and 71% of ratings given the top two ratings (A and B). These positive results have been achieved despite the challenges faced in the wake of the recent global financial crisis.

3. In his 2011 Annual Report, the Director of Audit has noted several areas of progress in the implementation of the PBB reform, including the stabilisation of the budget presentation format, a wider understanding of concepts like outcomes, services to be provided (outputs) and service standards (indicators), and improvements in programme costing. These achievements have supported this conclusion from the Director of Audit in his assessment of PBB implementation:

*“I wish to commend the progress made both by MOFED and the Line Ministries/Departments during 2010 in the furtherance of this major public finance reform.” (Director of Audit, 2011)*

4. Mauritius has also received positive international feedback from both the IMF and CABRI (Collaborative Africa Budget Reform Initiative) on the implementation of the PBB. In its 2010 report, CABRI has noted that the PBB has made a noticeable impact on budgetary processes including flexibility and ownership, better resource allocation, performance orientation and transparency:

*“The implementation of PBB has increased awareness of performance and the need to monitor the achievement of targets (...). There has also been an improvement in the quality of budget submissions, and budget hearings have shifted from focusing only on line-items to including a focus on the determination of priorities and services to be delivered.” (CABRI, 2010)*

5. The IMF has concurred with these comments in its 2010 mission report:

*“In the short span of the past three years, the government has made significant progress in the implementation of a PBB system. The performance orientation and the transparency of the budget have significantly improved.” (IMF Mission Report, 2010)*

6. Notwithstanding the achievements, these reports identify several areas where improvements are needed. The PBB monitoring and evaluation framework should be strengthened, including a reduction in the number of indicators. The planning function has to be revamped to embed the 3-year PBB Strategic Plans in a long-term planning exercise that includes analysis of cross-cutting issues and trade-offs as well as costing of policy options. Specific areas requiring further attention include using strategic planning to ensure linkages between policy priorities and resource allocation and performing in-depth budget analysis to inform resource allocation aligned to targeted outputs. In addition, mechanisms should be further developed to monitor and evaluate service delivery in relation to spending. To consolidate the PBB process, it is also recommended that Ministries and Departments prepare annual reports on both financial and non-financial performance.

7. On the basis of the identified areas of progress to further improve public service delivery and accountability, the PBB approach will be deepened and extended, ensuring that public expenditure is

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driven by long-term national and sector strategic goals, with a stronger focus on accountability for results. In addition, funding will be made available centrally for investment projects that are ready for implementation, thus creating an element of flexibility in the budget.

8. The following work will be undertaken to enhance the integration of planning and budgeting functions, improve the reliability of public performance indicators and targets in all public entities and strengthen the overall public finance framework:

- (i) A comprehensive Public Financial Management Legislation will be formulated.
- (ii) An Action Plan incorporating the recommendations of the 2010 PEFA Assessment Report will be implemented.
- (iii) A strengthened strategic framework for public policy planning will be established to ensure that budget allocations are firmly linked to clear and operational long-term strategic goals.
- (iv) A macro-fiscal framework will be formulated to underpin long-term national planning and the three-year PBB strategic plans.
- (v) A long-term national plan that integrates long-term sector plans of ministries will be formulated. The sector plans submitted by each ministry will include Specific, Monitorable, Actionable, Relevant and Timebound (SMART) proposals for (i) human resources plan (ii) policy reforms, (iii) measures to pay for investment required, and (iv) resources required consistent with the macro-fiscal framework.
- (vi) The format of the 3-year PBB strategic plans prepared by all Ministries and Departments will be reviewed to include a summary of policy options and clearer links between strategic goals, use of resources and their expected impact on public service delivery.
- (vii) The format of the PBB will be reviewed to further establish the links between inputs and service delivery under each programme/sub-programme.
- (viii) Public Expenditure Reviews will be undertaken in selected Ministries to identify potential sources of efficiency gains.
- (ix) Quality and reliability of public performance indicators are critical to ensure that PBB is used as a public management tool. All PBB indicators will be reviewed to ensure that they focus on national priorities and that they are based on solid facts and evidence. In addition, a selection of 60 critical PBB indicators out of the current 500 PBB indicators will be made to provide a synthetic overview of public performance.
- (x) An automated budget system will be installed to enhance budget preparation and expenditure analysis.
- (xi) An on-line performance monitoring system will be set up and integrated to the Treasury Accounting System (TAS) to allow an effective, transparent and regular tracking of public performance by all Ministries and Departments.
- (xii) The accounting framework will be modernised to bring it in line with international best practices.
- (xiii) The principle of 'truth in accounting' will be upheld by gradually allocating resources, financial and human, to the programmes/sub-programmes where the service is provided.

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- (xiv) An e-procurement system will be introduced to improve budget execution and enhance performance and transparency of public procurement.
  - (xv) Annual reports will be introduced in pilot ministries, providing both financial information and detailed results in respect of outcomes achieved and outputs delivered and including justification of gaps between targets and achievements.
  - (xvi) Performance review frameworks will be established to ensure that performance results better inform the planning and budgeting processes.
9. While the implementation of strategic planning and budgeting in Mauritius needs to be consolidated and deepened, our progress in public finance management has received international recognition and we have been called to share our experiences with several other countries in the region (Botswana, Burkina Faso, Ethiopia, Lesotho, Liberia, Madagascar and Namibia). The new actions that will be implemented to strengthen the PBB reform will help Mauritius play a larger role as a source of best practice and South-South cooperation.

### *Note*

1. *A new common indicator has been introduced in the Programme/Sub-Programme on Policy and Management to monitor the implementation of budget measures, replacing the two indicators on percentage of PBB indicators met and projects/programmes completed within time and budget.*
2. *As 2011 results are not yet available, the actual 2010 results have been used as the baseline for performance indicators. The actual 2010 results have been published in the Accountant General's Annual Report for 2010.*