

Progress Report



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This is a five pager report that provides MOFEA Management an overview of MTEF implementation progress made, lessons learnt, challenges and the guide to confronting these challenges for a successful implementation.

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Implementing Program Based Budgeting (PBB) First Progress Report

1.0 Preamble

I have a naïve background on the genesis of the Medium-Term Expenditure Framework (MTEF) but I guess it was as result of steps taken towards, a Public Financial Management Performance Assessment Report (PEFA) with the aims to identify strengths and weaknesses in the Public Financial Management system, and maximize the efficient use of the scarce government resources and the realization of its sector objectives. MTEF in this case, the PBB provides a straightforward mechanism by which a government can, on an informed basis, make decisions about the efficacy of the allocation of its scarce resources and determine whether policy objectives are being met or not. When PBB is implemented successfully it can provide significant improvements in improving economic governance.

2.0 Implementation Progress

In 2012, as part of fiscal management reforms, The Government of The Gambia (GOTG) introduced a Medium-Term Expenditure Framework (MTEF) beginning with the planning phase. This was characterized by the development of MTEF guidelines which ultimately sets the guiding principles of the 5 stage of MTEF:

Table 1 The Six Stages of a Comprehensive MTEF

STAGE	CHARACTERISTICS
I. Development of Macroeconomic/Fiscal Framework	<ul style="list-style-type: none"> • Macroeconomic model that projects revenues and expenditure in the medium term (multi-year)
II. Development of Sectoral Programs	<ul style="list-style-type: none"> • Agreement on sector objectives, outputs, and activities • Review and development of programs and sub-programs • Program cost estimation
III. Development of Sectoral Expenditure Frameworks	<ul style="list-style-type: none"> • Analysis of inter- and intra-sectoral trade-offs • Consensus-building on strategic resource allocation
IV. Definition of Sector Resource Allocations	<ul style="list-style-type: none"> • Setting medium term sector budget ceilings (cabinet approval)
V. Preparation of Sectoral Budgets	<ul style="list-style-type: none"> • Medium term sectoral programs based on budget ceilings
VI. Final Political Approval	<ul style="list-style-type: none"> • Presentation of budget estimates to cabinet and parliament for approval

Source: PEM Handbook (World Bank, 1998a: 47-51), cited by Philippe Le Houerou and Robert Talliercio both of the WB

The development of MDAs Strategic Plans (SPs) becomes so pronounced. To that effect, a manual funded by UNDP was developed by the Ministry to support MDAs in developing and updating their SPs compliance to the MTEF. Coupled to the numerous capacities built, international consultants were hired to support the likes of MOA, Health in developing their SPs. This was funded by ADB. Study tours to Zambia, Mauritius, and Uganda were supported and funded by UNDP and the EU program implemented by the IMF.

All these together did stimulate the grounds for the Ministry to pilot the MTEF and in 2013 with the Ministries of Finance and Education. In 2014, the MTEF did receive a renewed attention in the context of the formulation of a Programme Based Budgeting (PBB) to change the focus of the budgetary process from an input-based annual activity to a programme-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). Thus providing the platform to which MDAs SPs' are transformed into a practical working tool. Supported by IMF, two consultants (short term and long) were recruited to support the Budget Department to lead the PBB process.

With sensitizations done, templates developed, capacities built, the 2014 pilots kicked off with the Ministries of Finance and Transport. Literally, PBB formulations were guided by what I called the '*Gambian structure*'. A simple six layer program format as indicates below:

- ❖ Development of Programme Structures and its related sub-programmes based on existing MDAs current structure,
- ❖ Description of sub-program's objectives, spelling out how the sub program links to the overall MDAs policy aspirations that also links to PAGE
- ❖ Description of sub-program's overarching activities to implement and realize set objectives
- ❖ Description of Sub-program's statement (the non- financial information that links or justifies spending needs.....i.e. spelling out main outputs and its related indicatives and targets to meet), as means to measure results
- ❖ Description of sub-program's activities and projects that links to achieving to the main outputs
- ❖ Finally a budget is drawn based on the economic classifications..... costing affected categories of spending (costing)

The indicative PBB was submitted alongside the traditional line-item budget in 2014-15 as a starting point and in order to give the Ministry of Finance and Economic Affairs (MOFEA) the opportunity to update the necessary systems required for full implementation. Despite, an inbuilt, MTEF System with IFMIS, for now, reporting is been done only on program level. A full-fledged PBB is anticipated for 2018 budget year

ⁱⁱ embedded in a three-year MTEF. This will form the basis for appropriation by the National Assembly and replaces the traditional line-item budget.

3.0 Enabling Conditions

It may be difficult to use gains made to bargain for better enabling conditions, but it's prudent to note that implementing a full-fledged PBB must be preceded by a few enabling conditions comprising:

- Building the capacity of the Budget Department..... Particularly the Methodology Unit.
- More sensitization and advocacy for the highest level,
- Continuous capacity building for cabinet Ministers and their PSs.....particularly the PSs
- Development of new budget and monitoring framework;
- Development of procurement plan framework and soliciting full blown procurement plans by MDAs
- Modernization of the Integrated Financial Management Information System (IFMIS).....**enabling activity mapping exercise**,
- Proper mapping exercise by PMO with respect to individual allowance for adequate PE cost reflection to programs
- A guide manual" both designed to assist MDAs to understand and implement PBB activities in a multi-year framework, and finally, training for MDAs technician.

Moreover, MTEF/PBB training activities must be organized with a two-fold objective:

1. Building capacity of technicians including Accountants through lectures and training sessions aiming at instilling better understanding and confidence; and
2. Providing technical support sessions for programme managers of the MDAs to address any MTEF/PBB issues and hurdles arising and ensure that expenditure management methodologies and systems are effectively absorbed and efficiently implemented.

4.0 Lesson learnt and potential implementation Challenges

4.1 Lesson learnt

Some of the thrilling lessons that we found useful and fascinating were:

- ❖ Greater Accountability for MDAs Expenditure Outcomes
The MTEF, by virtue of its design, is based on change in central budgetary decision-making processes. As a result of MDAs' budgetary decision preparatory process has become more accountable, legitimate, and credible with greater participation in open and frank discussion forums.
- ❖ MDAs openness to the reform the receptive mode by PS's and their great involvement facilitated work right at its initial stage.
- ❖ Excellent strategic plans.....see the way forward

4.2 Potential implementation Challenges

Despite these existing lessons, we were also confronted with potential challenges during implementation:

- ❖ Budget Predictability and credibility may erode planning incentives
- ❖ The fear of losing power to control resources
- ❖ Misconception of PBB providing additional resources
- ❖ Complex MDA's functional structures may distort proper program structure formulation
- ❖ Possibilities of distorted formatting as a result of other experience by different individual
- ❖ Deprived knowledge of a clear understanding of what PBB is all about

5.0 Mitigative Measures

In order to transform the country into a competitive and resilient economy, the introduction of Programme-Based Budgeting was fundamental. The PBB represents a substantial increase in budgetary management sophistication with particular challenges to budget implementation especially where a system is characterized with capacity constraints, non-functional financial network system, (*hope the problems with E-9 is resolved soon*) and highly centralized public administrations with long expenditure management pathways. Therefore, the risks associated with implementing the PBB are mitigated by:

- adopting a carefully sequenced approach to reform,
- ensuring consistent and unified approach,
- adopting simple administration structures,
- ensuring budget predictability and credibility,
- ensuring adequate decision making process and
- establishment of adequate monitoring framework
- Identification of programme managers

6.0 The Way Forward

The Gambia's PBB is still at its embryonic stage looking forward to witness the piloting of 8 Ministries out of 27 in 2016 budget year. The reform is a major one and for its success, there has to be concerted and continuous effort among all stakeholders in its implementation. Since this means more rigorousness in the whole system, there is need for an unflinching commitment and support at all levels more so at the highest level. Therefore going forward would call for:

6.1 Strategic Planning as a basis for PBB formulation

The approach to management through results comprises:

- strategic planning and
- a budget programme based on results.

There is a linkage between the two. It is the strategic planning process which will produce programmes for the preparation of the Programme-Based Budgets. Moving forward, the department will appreciate if a flown blown status of MDAs SP to facilitate the selection of the 2017 pilots. If our recommendation is considered the 2017 pilots would be 6 MDAs:

- ❖ Defense
- ❖ Interior
- ❖ Lands
- ❖ Tourism
- ❖ National Assembly, and
- ❖ Information.

There is a strong need to encourage and assist them prepare and own their Strategic Plans and MTEF/PBB. In this regard, the MOFEA should communicate more and more with line Ministries and be more of a handholding partner to them. A partnership approach would ensure the much needed ownership of the PBB by line Ministries. Ownership of their strategic plans and MTEF PBB will automatically facilitate preparation and implementation easier and ensure a better chance of success as clearly manifested in the 2016 pilots.

6.2 Introducing the Concept of Programme Managers

The introduction of Programme Managers is one of the most innovative and welcoming aspects in this reform process. Ministries should seriously consider nominating Programme Managers and empowering them with problem solving skills to deal with the implementation of programmes. The emphasis is no more on inputs but rather on outputs and eventually on outcomes. In this regard and also in the wake of the challenges posed by the current complex structure of some MDAs may need to be relooked..... For instance, program 2 of MOA has two Accountants.

Programme Managers can be persons from any cadre and can come from outside the public service as well. The nomination of Programme Managers with the appropriate delegation of authority will decentralize the decision making process, ensure the much needed monitoring, ownership and implementation of programmes. Programme Managers and Accounting Officers should be more sensitized about their roles and responsibilities in monitoring non-financial information. Their involvement and effective monitoring will indicate the degree of success in

implementation of programmes. Programme Managers should be made to act as accounting officers for the programmes for which they are responsible.

Annexure

1. Glossary of Program Structures for 2016 Pilots

 <h3 style="text-align: center;">Ministry of Trade</h3> <ol style="list-style-type: none"> 1. Strategy, Policy and Management <ol style="list-style-type: none"> 1.1 Administration and Management 1.2 Development of Enhanced Statistics 1.3 Enhanced integratedProject 2. Trade Development <ol style="list-style-type: none"> 2.1 Trade Facilitation and Promotion 2.2 Support to Legal Metrology 2.3 Competition and Consumer welfare 3. Industrial and Enterprise Development <ol style="list-style-type: none"> 3.1 Investment, Export and Enterprise Development 3.2 Industrial Development 3.3 National Quality infrastructural Development 4. Employment Creation and Labor Administration <ol style="list-style-type: none"> 4.1 Support to Employment Creation 4.2 Strengthening Labor Administration 	<p>2 2</p>
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 <h3 style="text-align: center;">Ministry of Environment</h3> <ol style="list-style-type: none"> 1. Strategy, Policy and Management <ol style="list-style-type: none"> 1.1 General Administrations 2. Sound Environment Management <ol style="list-style-type: none"> 2.1 Environment Protection and Promotion (NEA) 2.2 Sustainable Forestry Management 2.3 Sustainable Water Resources Management 2.4 Improved Climate Risk Management 3. National Biodiversity Conservation and Management <ol style="list-style-type: none"> 3.1 Conservation management 3.2 Community based natural resources management 	<p>2 4</p>
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 <h3 style="text-align: center;">Ministry of Agriculture</h3> <ol style="list-style-type: none"> 1. Strategy, policy and management <ol style="list-style-type: none"> 1.1 General Administration 1.2 Planning, Monitoring and Evaluation (PME) 1.3 Project Administration and Implementation (PAI) 1.4 Support Communication Extension & Education Services (CES) 2. Production and Productivity <ol style="list-style-type: none"> 2.1 Enhancement of Crop Production and Productivity (ECPP) Regional Strategies 2.2 Support to Agricultural Mechanization (SAM) 2.3 Support to Plant Protection (PP) 2.4 Support to Horticulture Crop Production (HC) 2.5 Support to Food Security (P4SFP) 2.6 Support to Production and Productivity (PPPP) 2.7 Support to Production and Productivity (PPPP) Regional Strategies 2.8 Management of Salt and Water Resources (SMWR) 2.9 Support to Land and Water Management (SLWM) 3. Development of Agricultural Extension and Market Promotion <ol style="list-style-type: none"> 3.1 Development of Value Added Products (DPA) 3.2 Support to Agricultural Commercialization (SAC) 3.3 Support to Agricultural Business (SAB) 3.4 Support to Market Marketing (SMM) 4. Research and Development <ol style="list-style-type: none"> 4.1 Support to Agricultural Research and Development (SARD) 4.2 Support to Agricultural Research and Innovation (SARI/VAIR) 	<p>2 3</p>
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 <h3 style="text-align: center;">Ministry of Fisheries</h3> <ol style="list-style-type: none"> 1. Strategy, Policy and Management <ol style="list-style-type: none"> 1.1 General Administration 2. Fisheries Development and Management <ol style="list-style-type: none"> 2.1 Supports to Fisheries Quality Control and Assessment 2.2 Support to Regulation and Cross Border Trade 2.3 Research and Development 	<p>2 5</p>
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2. 2015-2016 Work Plans for Directorate of Budget- Methodology Unit

QUARTER: 1		YEAR: 2015-2015		DEPARTMENT/MINISTRY/SECTOR: MOFEA (Budget)	
Activity/Operations (1)	Execution period (2)		Responsibility	Remarks	
	Start	End			
1.1 Training of Accountants on PBB Implementation	Mid Oct, 2015	End Oct, 2016	Budget , 2016 pilot MDAs		
1.2 Identification and preparatory work for 2017 PBB Pilots	Mid Jan, 2016	End Jan, 2016	Management		
1.3 Introductory meeting with pilot MDAs	1 st week Feb, 2016	2 nd week Feb, 2016	Budget (MU)		
1.4 Definition of program structures for pilot MDAs	3 rd week Feb, 2016	4 th week Feb, 2016	Budget (MU)		
1.5 definition of program objectives and its related outputs	1 st week Mar, 2016	2 nd week Mar, 2016	Budget (MU)		
1.6 Costing of Programs	3 rd week Mar, 2016	4 th week Mar, 2016	Budget (MU)		
1.7 Convergence and Validation meetings	Early April 2016	Early April 2016	Budget (MU)		
2.0 Preparation of BFP and BCC	Mid April, 2016	End April, 2016	Budget (MU)		
3.0 Capacity building On MTEF PBB and procurement planning	To be planned for		Budget (MU),GPPA and MDAs		
4.0 Capacity Building for Staff of the Unit	As and when received		Management		
5.0 Other Engagement	As and when requested by Management				

ⁱ MTEF guidelines sets the guiding principles for MTEF formulation

ii The Manual provides steps in developing and updating MDAs strategic plans

iii The Gambia structure means a tailor made PBB structure for Gambia often limited to five programs or less with the exception of the MOFEA

iiii The Economic classification, spelled out spending categories, i.e Compensation to Employee, Capital Expenditure, Goods and Services e.t.c