

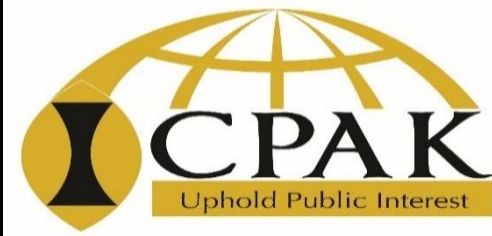
Coast Annual Summit

Program Based Budgets: Rationale and Key elements in PBBs

CPA Andrew Rori

**CityBlue Creekside Hotel, Mombasa
14th – 16th August, 2019**

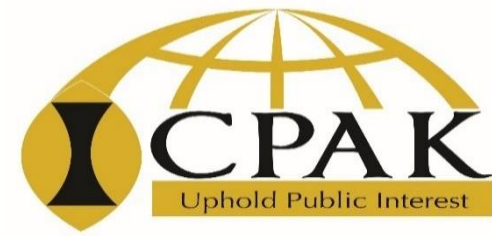
Session Objectives



By the end of the session the participants should be able to:

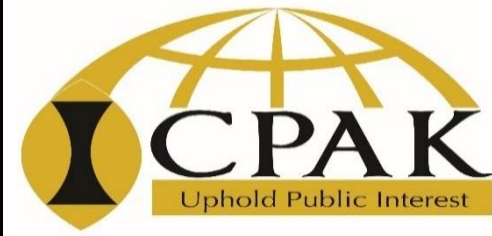
- ✓ Discuss the Programme Based Budgeting (PBB) Process;
- ✓ Discuss the Logical Framework of Programme Based Budgeting;
- ✓ Prepare a programme based budget;
- ✓ Identify key performance indicators for measuring programme performance.

Why Performance Framework



- Increasing public demands for greater government accountability, transparency and effectiveness
- Mounting pressures on public expenditure, calls for improved services for the same money
- Need for a more responsive system from politicians and public officials
- Performance of fiscal policy and budget management is vital for overall performance

Performance of Budget Management

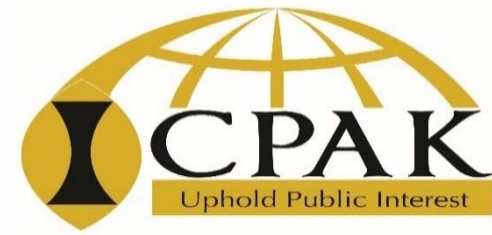


Three goals:

- Macroeconomic stability and aggregate fiscal discipline
- Allocation of resources to the strategic priorities – expressed by the society (participatory budget)
- Efficiency in the use of resources in the implementation of government policies

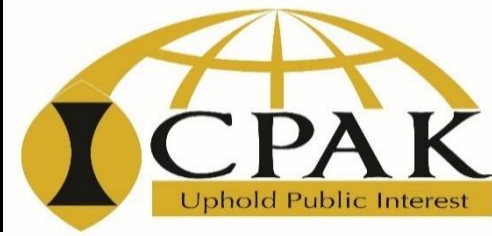
All three are closely interwoven and ultimately relate to efficiency.

Programme Framework in Budgeting



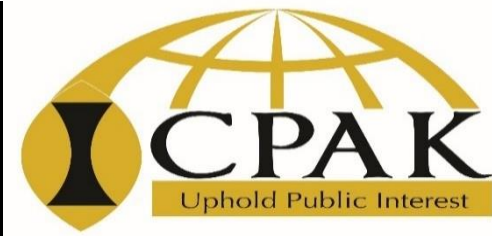
- Wide variety of approaches, practices, and methods in budgeting – line, incremental ABC, performance e.t.c
- Common theme is applying the budget to promote performance by the appropriate use of performance information at each stage of budget cycle to inform decisions on resource allocations and improve efficiency of resource usage
- No single model: performance, program, output, results-oriented budgeting – a programmatic approach is being commonly followed
- Programme based budgeting is defined as relating funds allocated to measurable results in terms of outputs and/or outcomes and evaluations

Programme Framework: Some Prerequisites



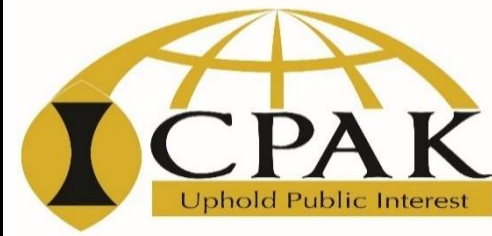
- Credible macroeconomic and fiscal framework
- Integration of budgeting and planning
- Well developed budget preparation process with a MTEF perspective – credible budget
- Sound budget execution, accounting and reporting framework
- Strengthened PFM legal framework
- Clarity on budget roles of legislature and executive
- Get ‘basics’ work well

Programme Framework in Budgeting: Key Tasks



- A well defined implementation strategy
- Traditional (Line- Item) to Program- based Budgeting (PBB)
- Program Classification: Key Aspects
- Enhance Budget Classification, Chart of Accounts, and Accounting System to accommodate PBB
- Performance specification – indicators and targets
- Performance: Monitor and Review
- Program/Spending Reviews
- Program Budgeting and MTEF

PBB Implementation Strategy



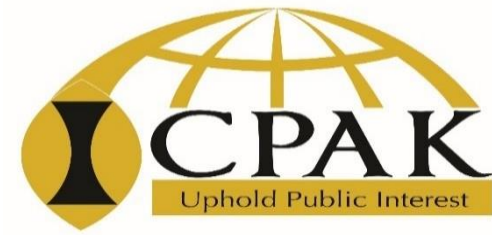
- Well defined objectives
- Process for developing and managing policy documents
- Institutional and human capacities to drive and support reforms
- Sequencing and pacing of PBB: Pilot vs. Big Bang approach, County vs Decentralized units
- Executive and Legislature commitment

Programme based Budgeting (PBB)

Focuses the budget to outputs/outcomes

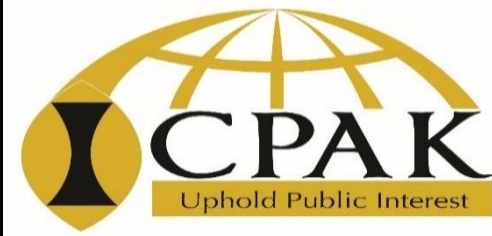
PBB emphasizes the objectives and outputs of government spending, and presents information in ways that make it easier to relate allocations to the goals of spending, such as % Increase in service delivery

Programme Based Budgeting in Context



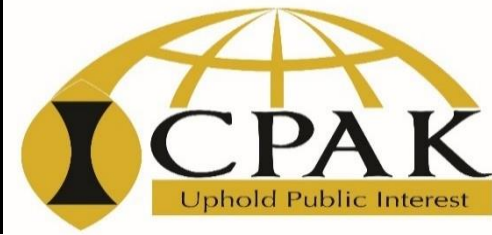
- It is a **legal requirement** under the Public Financial Management Act, 2012 to present budgets in programmatic format
- The PBB is the **main budget document** which **must be submitted to the National/County Assembly** alongside other documentations
- Each MDA is therefore expected to prepare programmes which:
 - ❖ Have clearly defined **objectives**;
 - ❖ Are linked to specific **outcomes**; and
 - ❖ Have specified **outputs** with clear performance indicators and targets.
- Such programmes submitted to National/County Assembly must be consistent with the ones approved in the Budget Policy Statement (BPS)/County Fiscal Strategy Paper (C-FSP)

Traditional & Program Budgets



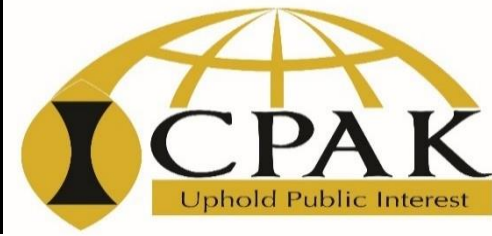
- Traditional Budgets
 - based largely on “ line items” e.g. salaries, travel, overheads, repairs and maintenance etc.
 - no indication of objective/output
 - primarily incremental and annual
- Program Budgets
 - line items identified to programs, keep key input controls – current, capital, interest
 - programs with well defined outputs and outcomes
 - a medium-term perspective
 - performance informs the budget process
 - financial flexibility and accountability

A Programmatic Approach to Budgeting



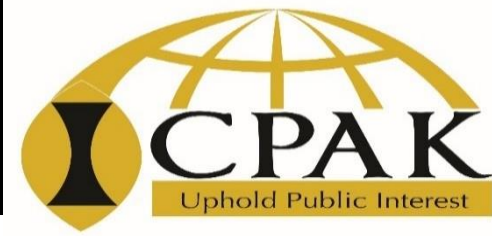
- Basis of budgeting in Kenya (PFMA 2012), a building block for performance framework in the budget process
- Spending classified by “programs”- **A programme is a group of independent, but closely-related, activities designed to achieve a common objective**
- Programs reflect expenditure on groups of services (outputs) and have common broad objectives (intended outcomes)
- Programs should be linked with the organizational structure to establish clear accountability for performance
- Programmatic classification of budget should aim at strengthening the link between policy objectives, planning and allocation of resources

Program Classification: Key Aspects



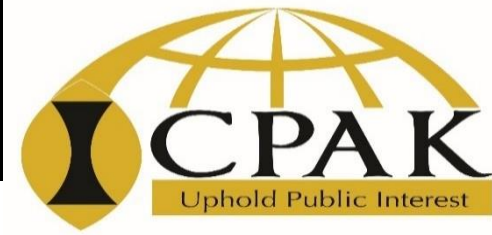
- Development of line-ministry program structures should be a collaborative effort between Treasury and line ministries (based on NT circular)
- Number of programs should be relatively limited
- Program structure consists of various layers with different nomenclature - most common three layers: program, sub-program and activities (Outputs, objectives e.t.c to guard overlaps)
- Have a “General Administration” program to include ministry wide common services
- Programs should include both the current and capital budget
- Programs should not normally stretch over several ministries- for inter-ministerial programs, accountability needs to be established at the level of sub-programs and activities

Program design: Some desirable features



1. Programmes **must reflect strategic objectives** NOT administrative units
2. Maintain a **reasonable number of programmes** -avoid too many or too few
3. If administrative units are aligned on strategic objectives, so much the better; otherwise they **must be revamped to facilitate achievement of objectives**
4. All strategic **objectives must be mapped to programs for PBB to be an effective** system to promote budget outcome and strengthen resource prioritization

Some desirable features Cont...

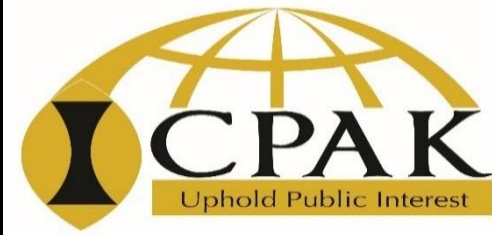


5. **Program objectives must be clearly laid out** and are generally SMARTA
6. **Focus on outcome** in addition to **output** (they are both necessary as outputs are needed to achieve outcome)
7. Sub-programs (SP) are not always necessary (case by case). If the program reflect broad objectives, then SP; if specific, then probably not
8. An organization may manage **one program** or **several**
9. Normally, a **single program** should be **managed by a single organization** to ensure proper management accountability; however, if really necessary, then use sub-programs

- **Management Programmes**

- ❖ In cases where a Department has more than one programme, a third programme should be created to cater for management and administration overhead costs which cannot be attributed to only one programme
- ❖ **Such a programme should be confined to common services** such as “**general administration**”, financial services, accounting, internal audit, procurement, planning services, human resource management and IT services which are not programme-specific

Structure of PBB Documents



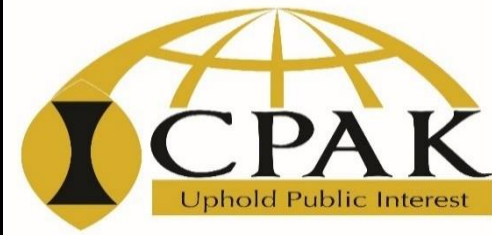
- 1) Why does the organization exist? (MDA's purpose or mission)
- 2) What results is the organization trying to achieve? (MDA's strategic objective(s))
- 3) What does the organization do to achieve the results? (MDA's programmes and operational objectives)
- 4) How much does it cost? (MDA's required resources to achieve its operational objectives disaggregated by programme, sub-programme and by economic categories)
- 5) How to measure the results of what the MDA does? (MDA's performance measures and targets)
- 6) Who is responsible for the results of the programme? (programme manager or delivery unit)

Programme based Budgeting (PBB)

Linking PBB and Health Outcomes

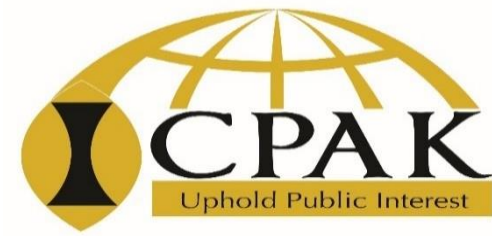
Programme Performance Indicators are mainly
outputs or/and outcome

Performance Indicators



- May relate to the use of resources (**input indicators**) or the process by which resources are used or output produced (**process indicators**), the goods and services themselves (**output indicators**) or the results of those goods and services (**outcome indicators**)
- **Performance Indicators should:**
 - ❖ Be quantifiable and measurable; relevant, understandable, timely, consistent, comparable, and reliable
- Constitute a family of measures:
 - ❖ Input, output, efficiency, service quality, and outcome
- Performance-Based Budgeting focuses on **output** and **outcome indicators**

Performance Specification Common Issues



- Need for right type of robust performance indicators
- Better balance of output and outcome indicators and improved specification of outputs
- Various dimensions of output performance including quantity, quality, efficiency and cost; lack of volumes for key outputs
- Mixing of outcome and output indicators, outcomes are not expressed in a measurable form, and some outputs are specified in a way that is outside the control of the ministry to deliver
- Performance Targets: too many, difficult to measure, absence of baseline indicators, arbitrary targets (too easy, too tough), reliability issue