

A Practical and Initial Approach to the Introduction of Program Budgeting

Main Actions and Sequences

- Macro-fiscal targets (what is affordable?)
- Analysis of the existing medium-term sectoral and operational policies and their implications on government programs and expenditures
- Eliminating/modifying the existing unjustifiable policies and then considering changed or new policies, if their cost remain affordable
- Translating affordable policies of the medium term sectoral plans into operational programs, and measuring their performance
- Costing of programs and financial and performance reporting

Analysis of the Existing Policies (devil in detail)

- Normally forgotten factor
- How practical is this?, and the role of incentives and firm data
- Scope of the analysis
- Without this analysis the risk of incremental budgeting does exist
- Revitalize the Zero-based budgeting concept!!

Translating Sectoral Policies to Operational Programs

- Design the programs within a line ministry, but link them to main functions and sub functions of the medium-term plan.
- Pay a close attention to the organization of the ministry or reorganize it to match with program structure and service delivery responsibility
- Identify recurrent activities and investment projects within a program as independent cost centers
- Identify performance indicators for the cost centers.

Size of the programs, recurrent activities, and investment projects

- Country specific, no standard rule
- Size of activities and projects need to remain flexible, reflecting each ministry's needs.
- The key is their relevance to the programs

Costing of Operations

- Calculate the inputs and their cost for each cost center; i.e., recurrent activities and investment projects under a program.
- Are inputs back?? They were never gone!!, but increasing ministries role versus central budget authorities and treasuries. What is the limit for this change?
- Improve input/object classification for better policy analysis, costing and accounting.

Financial and Performance Reporting

- Both are required
- Concrete and measurable outputs are needed.
- Outcomes at times are too vague, and many factors out of managers control
- The key initially is relevance of outputs to expected outcomes rather than quantification of outcomes themselves.