

**MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT**  
**Circular No. 5 of 2010**

**My Ref: CF/PUB/FIN/A/88**  
**To: Supervising Officers-in-Charge of**  
**Ministries/Departments and Accounting Officers**

**The 2011 to 2013 Programme-Based Budget Call Circular**

You are kindly requested to submit by the **8<sup>th</sup> of September 2010** the Programme-Based Budget (PBB) proposals of your Ministry/Department for the next three fiscal years, that is, 2011, 2012 and 2013.

**The Macro Economic Context**

2. As you are aware, the 2010 Budget was formulated in the expectation of a global economic recovery that would trigger renewed dynamism in the domestic economy and a return to high growth rates in the economy, namely 4.3 percent in 2010, 5.3 percent in 2011 and 5.7 percent in 2012. The fiscal and public debt targets and the Indicative Expenditure levels for 2011 and 2012 published in the 2010 PBB Estimates were worked out on the basis of those projections.

3. As explained in the document ***“Facing the Euro Zone Crisis & Restructuring For Long Term Resilience”*** recently released by this Ministry, **those economic growth forecasts will have to be revised downward significantly, in light of the Crisis in the UK and the Euro Zone.** This new crisis is different from the recent global recession. It is not just another transitional external shock. It is likely to result in a long lasting period of weak demand in our main export markets and a permanent shift in market power from Europe to Asia. Financing and stimulus cannot address this type of structural change. Deep restructuring is required most often accompanied by debt reduction and increased capitalization.

4. As highlighted by the Vice Prime Minister, Minister of Finance and Economic Development, **such restructuring is required across the whole economy, including the public sector.** This is in line with the proposal in the Government Programme to set up an Office of Public Sector Governance with a mandate, inter alia, to (i) promote and assist in the reform of public sector organizations with a view to ensuring that their services are responsive to the needs of the public; and (ii) conduct program evaluation with a view to ensuring that cost effective ways are adopted by public sector organizations in the delivery of quality service to the public.

5. There are indeed high risks that our economy will be buffeted by several shocks coming from (i) higher commodity prices as the global economy recovers, (ii) the negative impact on our export earnings of a weak euro and pound sterling; (iii) possibly a stronger US dollar that hits our import bill; (iv) low demand for our exports and declining tourist arrivals in our major markets; and (v) induced effects affecting corporate profitability and household income.

## **Expenditure Reviews**

6. These would lead to a **considerable narrowing in the national tax base and to much lower levels of revenues for Government in 2011 and 2012 than originally planned**. At the same time, there will be need to spend more on infrastructure and on the Economic Restructuring and Competitiveness Programme (ERCP) to support restructuring of the economy.

7. As a result, major adjustments and tighter control will have to be made in government spending over the next budgets. This will be particularly crucial in respect of recurrent expenditure. For this purpose, the 2011 and 2012 Indicative Estimates figures worked out and published last year have been revised to take into account both progress in budget execution and project implementation at ministry-level and adverse developments at national and international levels.

8. In preparing your PBB proposals, you are therefore requested to critically review current and projected levels of spending in all areas. In particular, you should initiate steps in the following directions:-

- Eliminate budget funding of **public enterprises** operations. Investment programmes must be supported but where possible we should look to Public Private Partnerships;
- Eliminate dependence of **extra budgetary units** on budget grants and subsidies, except where they are providing a social service and have no means of raising revenue. In cases where budget support is needed, however, strict control of recurrent spending will be required in line with developments in Ministries and Departments;
- Examine possibilities for **cost recovery and cost sharing schemes** both to pay for new services and to catch up on the erosion of fees due to inflation;
- **Redeployment of human resources** paid from public funds between budget dependent institutions to ensure effective service delivery and emphasis on replacing departures with administrative and technical staff with the greatest value added on service delivery standards;
- Extend the **recruitment policy** adopted by the Ministry of Civil Service and Administrative Reforms (MCSAR) to budget dependent bodies;
- Reorganise the way services are delivered and achieve higher effectiveness and efficiency savings, including **rolling back and preferably replacing low impact and high cost programmes**. This would include shifting to a reliance on **Civil Society Organisations** including NGOs for service delivery wherever possible;

- Initiate policy reforms for **overhauling outdated and fragmented programmes** and seek savings in administrative costs by merging and consolidating units; and
- Set out clearly how new activities and projects you are proposing are **to be funded**.

### **The PBB Estimates 2011 & Indicative Estimates 2012 & 2013**

9. Your PBB Proposals should be submitted as per the PBB format enclosed at **Annex I** which consists of the following 4 Parts:

- Part A: Overview of Ministry/ Department,
- Part B: Services to be Provided (Outputs) and Performance Information,
- Part C: Inputs - Financial Resources, and
- Part D: Inputs - Human Resources.

10. The PBB Proposals should be supplemented by all the required documentation and any data and information necessary to support and justify your proposals, including the PBB Strategic Plan 2011-2013 prepared along the guidelines issued by MOFED in March this year (where available).

### **Part A: Overview of Ministry/Department**

11. Part A of your PBB Proposals is meant to provide to the National Assembly and the public an overview of what each Ministry/Department undertakes to achieve with the public funds entrusted to it. For the 2011 PBB, Part A needs an updating of the following sections:

- I Strategic Note, covering
  - 1. Major achievements for 2010
  - 2. Major services to be delivered (outputs) for 2011-2013
  - 3. Major constraints and challenges and how they are being addressed;
- II List of Programmes, Sub-Programmes and Priority Objectives

12. Supervising Officers are requested to base **the Strategic Note on their PBB Strategic Plan updated for the period 2011-2013**. It will be recalled that Ministries/Departments were requested earlier this year to prepare and/or update their PBB Strategic Plan for the period 2011-2013 as part of the PBB process. In addition, the same document is required for the **Annual Business Plan Meeting with Development Partners** scheduled for 22 and 23 September 2010. It may be pointed out that the Strategic Note as captured in Part A of the PBB Estimates is only a high level summary and is not the strategic plan of a Ministry/Department itself.

## **Part B: Services to be Provided (Outputs) and Performance Information**

13. Part B of your PBB proposals should be submitted in the same format as in the 2010 PBB Estimates. Guidelines on the above are provided in the PBB Manual available on the Ministry of Finance & Economic Development (MOFED) website (<http://mof.gov.mu>).

14. Specification of Services to be delivered and the Service Standards will need to be further refined and deepened in order to provide Ministries/Departments with improved framework for monitoring service delivery. Supervising Officers of Ministries/Departments are requested to personally ensure that the services and service standards in the PBB are **Specific Monitorable Achievable Relevant and Timebound [SMART]**, bearing in mind that this is essential for proper planning, monitoring and evaluation of the performance of programmes and sub-programmes.

15. Moreover, for the purposes of facilitating performance monitoring and reporting to the National Assembly, there will be need to **reduce the total number of Service Standards included in the PBB Estimates**. As a guiding principle, you are requested to identify the 2 or 3 services that best capture the current priority in terms of service delivery within a Programme and Sub-Programme. Also, as far as possible, please assign only one service standard (indicator) for each service (output).

16. However, you are encouraged to keep a larger number of Services and Service Standards for your **own overall internal management purposes and for monitoring your delivery units**. Additional guidance will be provided by the Sector Ministry Support Teams (SMSTs) of this Ministry.

17. As from FY 2011, **statutory bodies specified in Part I of the First Schedule of the Statutory Bodies (Accounts and Audit) Act** are required to prepare and submit their annual estimates on a PBB basis to their respective parent Ministries by 30<sup>th</sup> September, 2010. In this connection, Supervising Officers are kindly requested to ensure that this statutory obligation is complied with by those statutory bodies falling under the purview of their Ministry.

18. As for a line-item Budget, **the PBB of the statutory body will need to be cleared by the Management, the Board and the Supervising Ministry**. Where the statutory body takes up a sizeable part of the financial resources of a Programme or Sub-Programme of a Ministry, it should be included as a Delivery Unit in the Ministry's PBB and appropriate Service and Service Standards specified.

19. Likewise, under the Local Government Act, every **urban authority and district council** is also required to prepare its annual estimates on a PBB basis as from FY 2011 and submit same to the Ministry of Local Government and Outer Islands with a copy to MOFED by 15<sup>th</sup> October, 2010.

### **Part C: Inputs-Financial Resources**

20. In preparing your proposals for the 2011 Budget, you should take as your expenditure ceilings for 2011 to 2013 the revised figures set out at **Annex II**. Your particular attention is drawn to the following:

- i. Those expenditure ceilings are set at Ministry/Department level and not at Programme and Sub-Programme levels. You are thus given **the flexibility to re-allocate**, within that overall ceiling, resources between your programmes and sub-programmes.
- ii. The adjustment in ceilings take into account, inter alia, progress so far achieved in budget execution and implementation of investment projects at the level of ministries and departments. They also incorporate payments presently being met by way of virement and departmental warrants from other Programmes, including centrally managed ones. As a result, the new figures are for some ministries higher than the published Indicative Estimates and in other cases lower.
- iii. Within the ceiling for the Ministry, the amount projected to be required for Investment Projects [Expenditure category 31: **“Acquisition of Non-Financial Assets”**] next year has also been indicated separately.
- iv. This figure has been worked out on basis of information received on the stage currently reached in the project preparation and execution cycle and expected progress and payments by end 2010. Should there be significant variation in actual progress, appropriate adjustments will be brought to that figure.
- v. It is to be noted that the ceiling figure for a ministry also does not include proposed expenditure on any project that has been approved for funding from proceeds of the **National Lottery** which will be dealt with in a central manner.
- vi. Financial resources expected from **development partners (grant or loan funding)** have already been factored in the macro-fiscal framework used for working out spending limits and do not therefore constitute an additional source of funds available for spending.
- vii. In order to preserve the **integrity of our Public Finance Management system and ensure truth in accounting**, all resources mobilised from development partners, including external grant, should be channelled through the Budget and all public expenditure, irrespective of the source of financing, must be appropriated by the National Assembly.
- viii. Any project, before submission for financing to development partners, must have been included in the budget framework and/or have received clearance of this Ministry. This is valid also for **feasibility studies**, funded by grants or loans from development partners and such expenditure should be included within the overall Ministry ceiling.

- ix. Concerning **Personal Emoluments (PE)**, the ceiling figure for your Ministry/Department covers the cost in respect of officers currently in post and does not include at this stage the cost in respect of recruitment of additional human resources.
- x. For hiring of additional staff across the civil service, **a pre-determined overall resource envelope will be given to the Ministry of Civil Service and Administrative Reforms (MCSAR) to allocate between individual Ministries/Departments.** Thereafter, appropriate adjustments will be brought to the budget figures of Ministries/Departments, as required.

21. Proposals on financial resources will have to be submitted on the same formats and categorization as in the PBB Estimates 2010. They should take into consideration the following:-

- progress in the preparation, design and implementation of the Strategic Plan of your Ministry/Department;
- shift in priorities and in consequential shift in resources over the medium term;
- new policies, activities and projects and their costing; and
- the administrative and legislative requirements as well as human resource constraints for their implementation.

*Grants to statutory bodies and local authorities*

22. Budget transfers and grants to parastatal bodies, public enterprises and local authorities take up nearly a fifth of total Central Government Budget, more than for capital projects. In this context, those bodies will need to explore **all means of enhancing own revenues and controlling their expenditure.** This is also valid for local authorities.

23. Supervising Officers are reminded that for statutory bodies wholly or mostly dependent on budget grants/transfers from Government, **similar fiscal discipline and performance requirements being applied upon line ministries and departments should prevail since they compete for the same funds.** In particular, policy guidelines governing proposals for increasing staff levels in the Civil service should be made to apply equally to similar proposals coming from budget dependent bodies.

24. Any statutory body seeking funds from Government should submit full and complete information on its financial standing, including cash and deposit balances. In this context, Supervising Officers are requested to ensure that the information as per **Annex III** be submitted, as a prerequisite. **MOFED will not consider any proposal from a body unless this basic requirement is complied with.**

## Public Sector Investment Programme (PSIP) 2011-2015 and Investment Projects

### *New projects*

25. For the purpose of the PSIP 2011-2015, any proposal for new Investment Projects should be submitted in accordance with the requirements of the **Investment Project Process Manual (IPPM)** and the **PPP Guidance Manual** which can be accessed at <http://publicinfrastructure.gov.mu> and <http://mof.gov.mu> websites respectively.

26. Under the IPPM, Investment projects with a project value above Rs 25 million will have to be submitted to the **Project Plan Committee (PPC)** under the chairmanship of the Ministry of Public Infrastructure, National Development Unit, Land Transport & Shipping for approval before eventual consideration for inclusion in the Budget. Investment projects below Rs 25 Million should be submitted directly to MOFED for examination and eventual approval.

27. All new investment proposals should be submitted, as per the Project Request Form (PRF). **Without a PRF, no new project will be considered either by the PPC or MOFED.** In addition, any feasibility study and other assessment reports should be attached.

### *On-going Investment Projects*

28. Regarding on-going projects, expenditure proposals are to be submitted as per the Financial Statement at **Annex IV**. The required information on the Project Value (original and revised), expenditure incurred so far, voted provision and projected payment flows till completion of the project need to be provided. For infrastructural works that involve several and different contracts (such as consultancy, civil works, acquisition of equipment, etc) the information should be provided in respect of each contract. Annex IV should be submitted to the PSIP Unit at [psip@mail.gov.mu](mailto:psip@mail.gov.mu).

29. Supervising Officers are also requested to make appropriate arrangements for ensuring that the **Profile of Investment Projects included in the PSIP** and under the responsibility of their Ministry or Department or Statutory Body, is updated online, in particular regarding funding source, project schedule and actual progress of projects. The PSIP Online Reporting System is accessible at <http://www.investmauritius.com/PSIP/>

### *Projects funded under the National Lottery*

30. Since no allowance has been made in the expenditure ceiling of a Ministry/Department for investment projects to be funded from proceeds of the National Lottery, **your expenditure proposals relating to such projects should be submitted in a separate statement.** You are reminded that the requirements and processes outlined in above paragraphs on investment projects also apply to those funded under the National Lottery.

### **Part D: Inputs-Human Resources**

31. Proposals for additional Human Resources (filling of vacant posts, additional posts and new posts) over the next 3 years will be dealt with by MCSAR. Costing of your proposals for filling up of any post should be done on a full year [12 months+bonus] basis and this should be incorporated in your submissions for funds.

32. As stated earlier, within the overall resource constraint and on the basis of priorities set by Ministries and Departments, the MCSAR will allocate resources for hiring of additional HR among competing Programmes and sub-Programmes. Once this process will be completed, you will be requested to submit Part D of the PBB Estimates, duly filled in and signed off, to MOFED, for purposes of finalizing numbers for the publication of the PBB document.

### **Special Funds under the Finance and Audit Act**

33. Wherever applicable, Ministries/Departments are kindly requested to submit a statement on the financial position of **all Special Funds created under the Finance and Audit Act under their responsibility** and the status of project implementation planned over the 2011-2013 budgeting period, namely as at:

- December 2010;
- December 2011;
- December 2012; and
- December 2013.

### **Accounting Officer**

34. You are kindly requested to submit to this Ministry the status of position title of the officer(s) being proposed to be designated as Accounting Officer under section 21(1) of the Finance and Audit Act by the Vice- Prime Minister, Minister of Finance and Economic Development and who shall be charged (i) with the duty of controlling expenditure on any service in respect of which public funds have been appropriated and (ii) with the duty of collecting revenue and paying that revenue into public funds. The Accounting Officer is the officer who is answerable to the Public Accounts Committee.

### **Budget Format, Submission and Discussions**

35. Your PBB Proposals covering all 4 parts as well as other relevant information required should be submitted in **two (2) printed copies and also in soft copy (Microsoft Office) by 8<sup>th</sup> of September 2010 at latest**. The original full set including the non-financial parts should be addressed to the relevant officer of the SMST of MOFED as per **Annex V**.

36. On receipt of your proposals, the SMST will have technical working sessions with your officers to prepare the ground for the meetings of the PBB Estimates Committee with Supervising Officers. **The PBB Estimates Committee meetings are planned for late September and early October**. You will be advised of the date, time and venue in due course.

37. Your complete PBB proposals should be submitted in the **PBB Format provided by this Ministry**. Kindly liaise with the Finance Section of this Ministry (Attn: Messrs I. Nobeebux and V. Gungabissoon: Tel: 201 - 3892/201 - 1354) to obtain a soft copy of the PBB format. Note that no other formats would be entertained.

38. Kindly relay the contents of this Circular to all parastatals, statutory bodies and other public agencies falling under your responsibility.

**A. MANSOOR**  
**Financial Secretary**  
**20 August 2010**

Copy to:

- (i) Secretary to Cabinet and Head of Civil Service
- (ii) Director of Audit
- (iii) Accountant-General
- (iv) Directors, Economic and Finance, MOFED
- (v) Director, Financial Operations, MOFED
- (vi) Team Leaders of SMST, PSIP Unit and PPP Unit, MOFED
- (vii) Registry, MOFED