

# **Project Completion Report**

Implementing Medium Term Budgetary Framework 2010-13

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## Abbreviations and Acronyms

ADB	Asian Development Bank
AFA	Assistant Financial Analyst
BCC	Budget Call Circular
BO	Budget Officer
BPO	Budget Preparing Officer
CCS	Commitment Control System
Central	Finance Department and Planning & Development Department
Consultant	Team Leader
Consultant Team	Team Leader, Financial Analyst and Assistant Financial Analysts
DDO	Drawing and Disbursing Officer
E&TD	Excise & Taxation Department
ETO	Excise & Taxation Officer
FA	Financial Analyst
FD	Finance Department
FMA	Financial Management Application
FY	Financial Year
GoPb	Government of the Punjab
HED	Higher Education Department
HD	Health Department
I&P	Irrigation and Power Department
L&DD	Live Stock & Dairy Development Department
LD	Line Department
MTBF	Medium Term Budgetary Framework
MTBF BCC	Medium Term Budgetary Framework Budget Call Circular
MTBF Departments	Irrigation and Power Department, Health Department, Livestock & Dairy Development Department, Higher Education Department and Excise & Taxation Department
MTDF	Medium Term Development Framework
MFFF	Medium Term Fiscal Framework
P&DD	Planning and Development Department
PBS	Provincial Budget Strategy
PCR	Project Completion Report
PC-1	A pro-forma used for creation of development schemes
PFM	Public Financial Management
PIFRA	Project to Improve Financial Reporting and Auditing

PRMP	Punjab Resource Management Programme
SC	Steering Committee
SNE	Statement of New Expenditure
SU	Spending Unit
TA	Technical Assistance
TOR	Terms of Reference

## Executive Summary

Since last two financial years this technical assistance has been making steady gains in introducing concept of medium term planning and budgeting in Government of the Punjab (GoPb). To-date, five departments (Irrigation and Power, Livestock and Dairy Development, Excise and Taxation, Higher Education and Health) have successfully been brought under MTBF fold. More than 2,000 budget preparation officers and DDO's have been trained on principles and practice of MTBF.

MTBF is increasingly being viewed as an effective platform for bringing together line departments, Finance Department and Planning and Development Department. This led to improvement of communications between them and also had a role in improving quality of budget submissions. Through MTBF implementation exercise the technical assistance has also been able to bring into light and expose GoPb officials towards a number of wider aspects of budget reforms that need to be undertaken in order to achieve full benefits of MTBF. These have been discussed in extensive details in previous reports by Consultant including PCR (July 2009).

On the other hand, impact of MTBF could not be felt at the level of Central Departments who distributed budgetary ceilings to MTBF Departments (21% of over-all provincial budget) and were then involved in reviewing budget estimates that eventually led to the finalization of MTBF budgets (2010-13). 'MTBF tide' in GoPb has largely been flowing 'bottom-up' for past two years. Top-down element of budgeting remains very weak in terms of processes, institutions and the regulatory framework. Going forward without intensifying efforts for improving 'top-down' basis of budgeting is going to seriously impact MTBF efforts and might dilute progress made to-date.

Based on experiences to-date and interactions with Finance Department and MTBF Departments Consultant views that MTBF exercise would soon be coming under increasing stress from various commentators of being '*unable to deliver enough*'. This might not hold solid ground from line department's perspective but may carry some weight while analyzing from lens of Central Departments. But then this also begs the question that Consultant has been consistently raising on almost every forum is clarity around '*what Finance Department expects MTBF to deliver?*' Experience shows that it is easy to meet and manage expectations once they are clearly defined.

Moving forward, MTBF implementation in GoPb stands at interesting 'cross-roads' where it requires strategic intervention by Finance Department, Planning & Development Department and senior provincial bureaucracy. If MTBF is going to be the 'future medium' of planning and budgeting then there is an urgent need to develop a GoPb owned 'MTBF Implementation Strategy' which among other things stresses intensifying 'top-down' aspects of budgeting, early political engagement, institutional strengthening and capacity building.

## Introduction

1. This is the final report being submitted by Consultant to PRMP. It is based on missions to Lahore conducted between January to August 2010. Prior to 'Project Completion Report (PCR)', 'Inception Report' was issued to PRMP in November 2009 followed by 'Budget and Expenditure Analysis of MTBF Departments Report' in February 2010. Efforts to implement MTBF in the Province have been going on since late 2008 and this is the second year of implementation. Therefore, readers of this Report are also requested to read earlier reports by Consultant in order to appreciate the relevant backdrop and situational context.
2. Objective of Project Completion Report is to highlight key accomplishments of this technical assistance, document / share experiences and lessons learnt during the second year of implementation and also highlight certain key issues that authorities at PRMP and Central Departments ought to appreciate as they move towards a gradual roll-out of MTBF implementation. This report is divided into two sections.
3. **Section I – Main Achievements of Technical Assistance** briefly describes the main accomplishments achieved through the use of this technical assistance. It then gives an account of key activities performed since November 2009 in the form of progress against approved work plan (agreed during Inception Phase). Lastly, it explains the over-all team structure and mix that was put in place in order to maximize the effectiveness of technical assistance.
4. **Section II – Key Lessons and Experiences** details in depth about the experiences and lessons learnt that were encountered during last ten months of implementation. It begins by unfolding 'key issues' facing MTBF implementation and then moves on to describing what went well that could / should be replicated followed by what could have been done better.
5. A briefing on this Report was held on 10 August 2010 for all key stakeholders chaired by Finance Department during which a presentation was given by Consultant. Views presented in Report came under discussion and there was a consensus on findings. It was also agreed that recommendations of Consultant would be taken forward in the next phase of implementation.
6. Readers of this report should note that the focus of this implementation effort was only towards Departments and spending units that fall under the direct control of the Provincial Government. For example – though Health Department largely remains a devolved Department but only those spending units that were under the Provincial Government (large teaching hospitals, nursing institutions, etc) were covered during MTBF implementation.
7. Consultant and his team wishes to record their warm thanks for the support and co-operation provided by the officials and staff of Finance Department, Planning and Development Department, Irrigation & Power Department and Health Department, Livestock and Dairy Development Department, Excise and Taxation Department and Higher Education Department.

We are especially grateful for the support provided by Punjab Resource Management Programme. This report could not have been possible without their valuable guidance, continuous support and more importantly exchange of frank views.

## Section I Main Achievements of Technical Assistance

### a) Main achievements

8. **Successful implementation of MTBF in five Departments of GoPb:** Medium term planning and budgeting was successfully introduced and implemented within stipulated time in the Irrigation & Power Department, Health Department, Livestock & Dairy Development Department, Excise & Taxation Department and Higher Education Department of Government of the Punjab. These Departments prepared budgets (current and development expenditure) for three financial years i.e 2010-11, 2011-12 and 2012-2013. Of the budgets developed estimates for 2010-11 were used for inclusion into Annual Budget Statements that were presented and approved by Provincial Assembly. Please refer Appendix I for copy of Medium Term Budget Statements for MTBF Departments;
9. **Enhancing impact of indicative budget ceilings:** A visible effort was made to introduce a culture of 'availability' rather than 'wants' in the process of budget preparation. Based on the indicative budget ceilings received from FD an exercise was carried out (by Budget Committee) based on which these ceilings were distributed to all spending units across line departments. This enhanced the over-all impact of budgetary ceilings which was not felt in the first year of MTBF implementation;
10. **Appreciation of benefits of medium term planning and budgeting:** Line Departments are able to clearly see the benefits of medium term planning and budgeting. There is a greater sense that when the like budgetary resources are indicated (predictability) then this puts line departments in a better position to plan and most importantly prioritize their departmental activities in the medium term. Hence, predictability, planning and prioritization are in hand in glove.
11. **Introduction of revenue budgeting culture in E&TD:** For the very first time in the history of Excise and Taxation Department, receipt budget was prepared by each category of revenue receipts by the ETO's / DDO's. These estimates were then communicated to FD for deliberations and approvals. Earlier, over-all figure of revenue budget used to be determined by FD which was then sent back to E&TD to break-up into categories and use as 'revenue targets' for the Department.
12. **Refinement of budgeting model:** Further refinements were made to model of 'bottom-up' budgeting. Improvements were made to costing and estimation of budgetary estimates. Certain specialized spreadsheets were designed that facilitated DDO's/BPO's in using right Chart of Accounts while developing MTBF budgetary estimates. It would be fair to say that the existing 'bottom-up' model has been sufficiently refined and it is about time to strengthen top down aspects of budgeting (discussed in more detail in Section II).



13. **Viewing MTBF in the context of wider budget management reforms:** While going through two years of implementation exercise this technical assistance was able to bring into light and expose GoPb officials towards a number of wider aspects of budget reforms that need to be undertaken in order to achieve benefits of MTBF. These have been documented and discussed in detail in Section II and previous PCR (July 2009). There is a wider sense of realization (more in FD perhaps!) that in order to fully exploit the benefits of MTBF such reforms would need to be implemented.
14. **Greater involvement of senior management of MTBF Departments:** Relative to the MTBF implementation in the pilot phase there was a clear and distinct greater interest and involvement of senior management of MTBF Departments – indicating signs of improvement in the level of ownership. This involvement took many forms like daily briefings by resident team of financial and assistant financial analysts, participation in distribution of budgetary ceilings to spending units, reviewing reports of sector experts, reviewing MTBF estimates before formal submission to FD and P&DD.
15. **Populating MTBF Cell:** Consultant has been arguing for hiring suitable full-time financial analysts for placing in MTBF Cell. During the second year of MTBF implementation the ToR's for these financial analysts were designed by Consultant based on which hiring process has been initiated and is in finalization stages. Without underestimating establishment of MTBF Cell (staffed by contract employees) building a separate cell for MTBF purposes might give out signals that MTBF is something in addition to the annual budgeting exercise. This impression (when raised) would need to be managed as a matter of priority.
16. **Study to integrate current and development budget:** Based on the recommendations of Consultant a study was launched to find ways to create better integration between current and development budget. This is indeed a welcoming development which at least demonstrates that there is a realization about seriousness of dichotomy that exists between these two budgets.
17. **Consistency in budget ceilings:** As opposed to the pilot implementation the budget ceilings for development budget prescribed in MTBF BCC 2010-13 were almost the same that were used by P&DD for communicating to MTBF Departments. This has sent positive signals to MTBF Departments. Over-all there was better synchronization between FD and P&DD in issuing budget ceilings.
18. **Initial signs of improvements in capacity:** During the course of implementation, Consultant Team felt that there were initial encouraging signs of improvements in capacity of certain MTBF Departments which can be described as a 'silver lining'. This was clearly evident in the spending units of Health Department who developed MTBF estimates requiring relatively little support from MTBF resident team. However, much challenges remains ahead and there is a need to 'build-upon' these early successes.

## b) Progress against work plan

19. As part of Inception Phase a work plan (derived from Terms of Reference) was prepared, agreed and approved with key counterparts. According to this work plan Consultant had envisaged a two phased work stream i.e:

Phase I Design and Development

Phase II Implementation of MTBF BCC (2010-13)

20. This part of Section I provides an update of key activities performed under each work stream and its completion status

<i>Phase</i>	<i>Work stream</i>	<i>Progress</i>	<i>Status</i>
<b>I Design and Development</b>			
A	Refinements to MTBF BCC 2010-13	<ul style="list-style-type: none"> <li>- Review of possible refinements to MTBF BCC (forms and text)</li> <li>- Discussion of refinements with Pilot Departments</li> <li>- Incorporation of suggestions in MTBF BCC 2010-13</li> <li>- Discussion on and finalization of initial budget ceilings</li> <li>- Finalization of MTBF BCC 2010-13</li> <li>- Briefings on MTBF BCC by staff of I&amp;P and HD to new MTBF Departments</li> </ul>	<i>Complete</i>
<b>II Implementation of MTBF BCC 2010-13</b>			
A	Analytics for new MTBF Deptts only	<ul style="list-style-type: none"> <li>- Review of nature, types of budgetary financing</li> <li>- Analysis of spending units</li> <li>- Analysis of key functions of department, new initiatives and key programmes;</li> <li>- Obtain and analyze details of previous years budget and expenditure, policy documents and other strategic plans</li> <li>- Review of PC-1s of key programs &amp; schemes</li> </ul>	<i>Complete</i>
B	Establishment of Core Team (new MTBF Deptts only)	<ul style="list-style-type: none"> <li>- Developed ToR's for MTBF Core Team</li> <li>- Formal notification of Core Team</li> <li>- Briefing and capacity building of Core Team on MTBF concepts and procedures</li> <li>- Identification and setting up office space, etc</li> <li>- Deployment of full-time financial and assistance financial analysts;</li> </ul>	<i>Complete</i>

<i>Phase</i>	<i>Work stream</i>	<i>Progress</i>	<i>Status</i>
C	MTBF BCC specified training	<ul style="list-style-type: none"> <li>- Designed Line Department specific material for MTBF workshops;</li> <li>- Successfully conducted MTBF refresher workshops for HD and I&amp;P;</li> <li>- Successfully conducted MTBF workshops for HED, L&amp;DD and E&amp;TD);</li> <li>- More than 2,000 staff trained through above workshops</li> <li>- Main workshops followed by mini-workshops</li> <li>- Carried out capacity assessment of all participants</li> <li>- Summary of workshops</li> </ul>	<i>Complete</i>
D	Rapid Sector Review	<ul style="list-style-type: none"> <li>- Fine tuning ToR's of Sector Specialists;</li> <li>- Briefing Sector Specialists about MTBF and context of Rapid Sector Reviews</li> <li>- Finalizing Budget and Expenditure Analysis for MTBF Department to be fed into Rapid Sector Reviews;</li> <li>- Reviewing reports of Sector Specialists</li> </ul>	<i>Complete</i>
E	Activity Based budgeting (new MTBF Departments)	<ul style="list-style-type: none"> <li>- Assistance in implementation of requirements prescribed in MTBF BCC</li> <li>- Assistance on setting departmental priorities and on distribution of initial budget ceilings to DDO's</li> </ul>	<i>Complete</i>
F	Activity based budgeting (old Departments only)	<ul style="list-style-type: none"> <li>- Assisted MTBF departments in determining (and updating) baselines and outputs over the medium term</li> <li>- Assisted in improving quality of budgetary estimates</li> <li>- Extensive hand-holding support to DDO's and BPO's;</li> <li>- Development and implementation of MTBF budget preparation monitoring plans</li> </ul>	
G	Finalization of estimates	<ul style="list-style-type: none"> <li>- Development of comprehensive monitoring-cum-visit plan</li> <li>- Performed visits at DDOs/spending units offices throughout the Province</li> <li>- Identification and trouble shooting of issues</li> <li>- Assistance to Departments reviewing MTBF estimates received from spending units</li> </ul>	
H	Handholding support	<ul style="list-style-type: none"> <li>- Assistance on distribution of development budget ceilings</li> <li>- Development and upgrading IT Tool for input, analysis and consolidation of MTBF estimates and output/input data</li> <li>- Assistance in computing recurrent impact of development projects</li> <li>- Coordinated meetings between pilot departments, FD and P&amp;DD to discuss MTBF estimates</li> <li>- Finalization of MTBF estimates</li> <li>- Assistance on appropriate classification of development</li> </ul>	

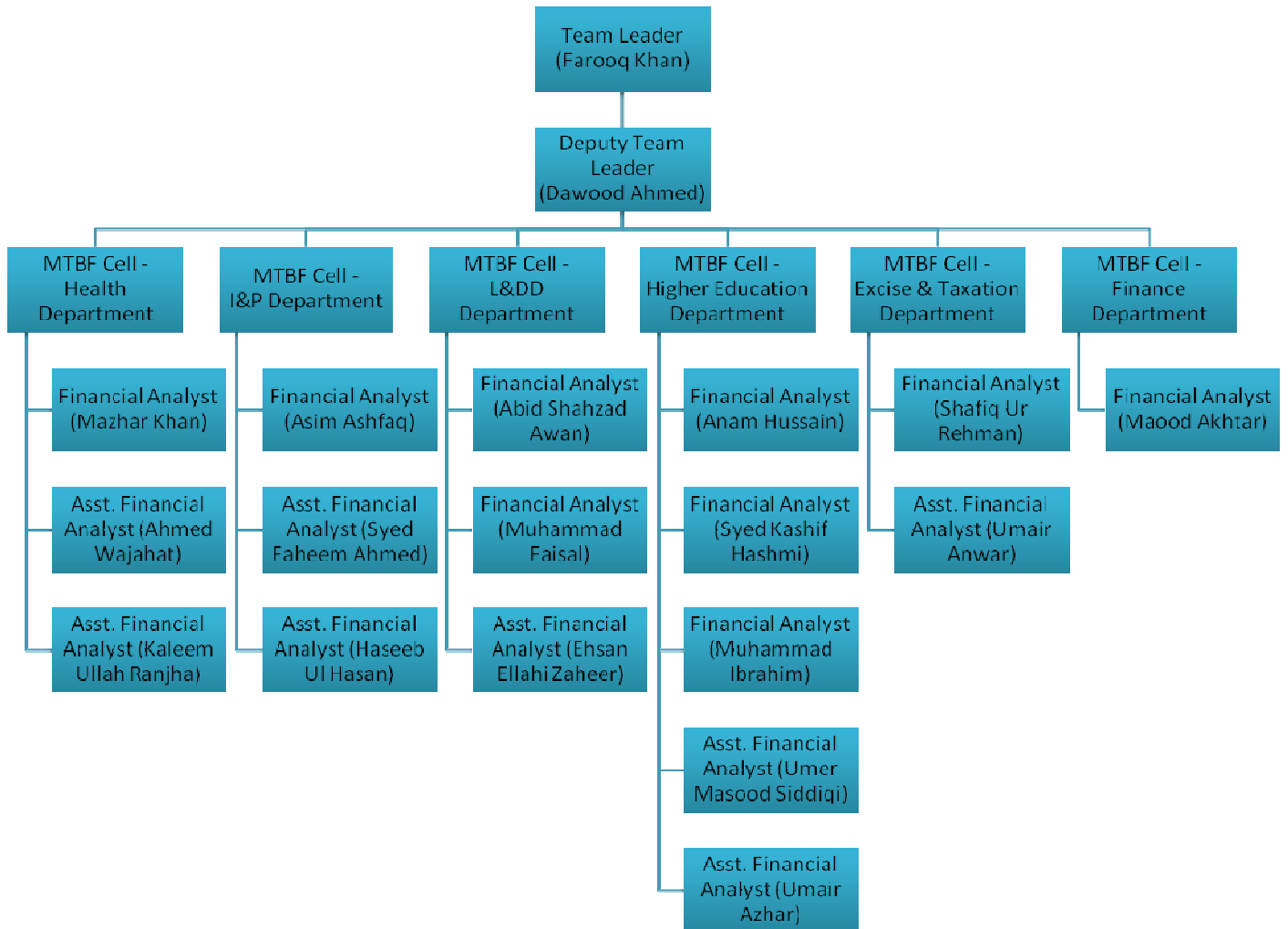
<i>Phase</i>	<i>Work stream</i>	<i>Progress</i>	<i>Status</i>
		<ul style="list-style-type: none"> <li>estimates</li> <li>- Assistance in preparing for Joint Protocols</li> <li>- Developed, discussed and agreed outline of MTBF Statements for MTBF Departments</li> <li>- Regular follow-ups and progress meetings/updates</li> <li>- Frequent meetings for Core Teams</li> <li>- Assistance in preparing and finalizing MTBF statements</li> </ul>	

### **c) Project team and TA delivery structure**

21. In order to deliver work plan, maximize effectiveness and impact of this technical assistance a team of Consultants was put in place led by Team Leader. He was supported by a full-time Deputy Team Leader (resident at FD) and a team of national consultants. Please refer to page 13 for organogram of MTBF Consultant Team. Each MTBF Department had a team of resident local consultants (Financial Analysts and Assistant Financial Analysts) to provide 'hands-on' support that not only ensured smooth implementation but also timely addressing and disposal of issues.
22. Having said that, dynamics surrounding Consultant Team structure during this phase have some what been different in size, nature and complexity especially when compared to pilot phase of MTBF implementation. This is mainly because number of MTBF Departments (total 5) and 'relevant capacity' imbalances with in Consultant Team. A number of new additions to MTBF Consultant Team were made (by PRMP in consultation with Consultant) so that adequate hand-holding support is available as new MTBF Departments make their transition towards multi-year planning and budgeting. On the positive side, it has added more richness and flavour to over-all experience of Consultant Team while on the other hand it posed additional team management challenges for Team Leader and Deputy Team Leader.
23. Recognizing the importance of addressing relevant 'capacity imbalances' with in Consultant Team, at the very onset of Inception Stage, a comprehensive capacity building program was designed for all new Financial Analysts and Assistant Financial Analysts. It was made mandatory for all FA's and AFA's to attend this program. This was a priority action for Consultant Team. Financial Analysts who were involved in Pilot MTBF implementation played an important role in this exercise and their extra inputs deserve full commendation by Consultant.
24. Once capacity building exercise of new inductees (Financial Analysts and Assistant Financial Analysts) was over their allocation to MTBF Departments were carefully decided. Maximum care was exercised to ensure that right balance and mix was there between diversified skill set of existing team and expected challenges envisaged during MTBF implementation.
25. Each MTBF Department had a dedicated team of resident Financial Analysts and Assistant Financial Analysts in place to provide 'hands-on' support that would ensure smooth implementation and also timely disposal of issues as and when they arise.
26. Team Leader (Lead Consultant) provided support on intermittent basis. Roles and responsibilities were carefully assigned to each team member to make the most of available resources. Key responsibilities were as follows:

<b>Team Leader</b>	Over-all job responsibility, providing over-all technical direction and leadership, team management, sharing international good practices and quality assurance
<b>Deputy Team Leader</b>	On-the ground job in-charge, team management and guidance, quality assurance, technical direction, trouble shooting and coordination
<b>Financial Analysts</b>	Implementation of MTBF in respective MTBF Departments, capacity building of DDO's, BPO's, providing hands-on support, trouble-shooting and mentoring
<b>Assistant Financial Analyst</b>	Supporting Financial Analysts in MTBF implementation

Box: Consultant Team Organogram



## Section II Key lessons and experiences

27. This section covers in great depth and length the experiences and lessons learnt by Consultant Team during implementation of MTBF in Departments. It starts off by bringing on table certain key issues that the MTBF initiative faces in GoPb that deserve immediate attention. It then further elaborates lessons and experiences by categorizing them into:
- a) Key issues arising
  - b) What went well – experiences that can be replicated? and;
  - c) What could have been better – aspects that should be avoided and experiences and observations that bear implications for MTBF roll-out.
- a) Key issues arising:**
28. Since last two financial years this technical assistance has been making steady gains in introducing concept of medium term planning and budgeting in GoPb. For some obvious reasons, these gains are more visible in line departments than in central departments. Using MTBF BCC, MTBF departments with extensive support of consultants (from PRMP) were made to go through a comprehensive exercise of medium term financial planning and budgeting. During this course, Departments also appreciated the need for setting departmental priorities before initiating detailed budget preparation as the available fiscal resources are not infinite in nature. Estimates developed were largely within budgetary ceilings. This in effect has established, though very rudimentarily, basic mechanics of intra-sectoral allocations but having said that much needs to be done in terms of institutionalization of prioritization process and building much needed capacity / regulatory framework around it.
29. On the other hand, impact of MTBF was not much felt at the level of Central Departments where all they did was to distribute ceilings to MTBF Departments (21% of over-all provincial budget) and then review budget estimates that led to the finalization of MTBF budgetary estimates. They did not involve in the classical resource distribution process which actually involves determining over-all resource available, slicing the ‘resource cake’ in light of respective provincial priorities i.e before formal issuance of Budget Call Circular. Meaning, what is the size of total expenditure (current and development), which Department / sector would be getting what share in current and development budget. Or more commonly known as the ‘top-down’ budgeting.
30. Appropriate balance between the top-down and bottom up budgeting was lost somewhere during the implementation course. On the positive side, it did help FD and Consultant Team in further finessing the model of ‘bottom-up’ budgeting most notably by adding the dimension of prioritization of budgetary ceilings and refinement of output indicators. It is important for Central Departments to appreciate that full benefits of MTBF would only begin to accrue once the ‘top-down’ aspects of budgeting are fully exploited coupled with adding more line departments leading to better budget coverage rather than relying only on a selected few line



departments. Faculties of prioritization automatically come into play when budgeting is performed under fiscal constraint.

31. In the absence of articulated objective of MTBF initiative by GoPb the Consultant has attempted to score the implementation for last two years against three widely accepted objectives of MTBF, which are:
  - a) Instil greater discipline by constraining budget appropriation & execution in future years to levels consistent with govt’s medium term fiscal and sector priorities;
  - b) Facilitate strategic prioritization of expenditure that meets departmental priorities; and
  - c) Efficient intra-sectoral allocations
  
32. This can be at best described as an ‘MTBF score-card’. It is clear from this quick analysis that MTBF reform effort has yet to offer much to FD and P&DD at this point of time but is showing some preliminary impact at the Line Departments;

**Box: MTBF Score Card**

	Typical benefits	At FD / macro level	At LD level
I	Instil greater discipline by constraining budget appropriation & execution in future years to levels consistent with govt’s medium term fiscal and sector priorities;	Not yet	Some what but too early to say
II	Facilitate strategic prioritization of expenditure that meets departmental priorities	Not yet	Initial signs
III	Efficient intra-sectoral allocations	Not yet	Not yet

33. The ‘MTBF tide’ in GoPb is flowing ‘bottom-up’ and certain commentators might feel that this tide when gradually increased as a result of budget coverage may pin-down FD to take a more proactive role in implementing these reforms. This may eventually be true for GoPb but this approach certainly comes with demerits and at a high cost to implementation. It is important for GoPb to learn from international good practices and expedite ‘top-down’ budgeting.
  
34. MTBF implementation in GoPb stands at interesting ‘cross-roads’ where it requires strategic intervention by FD, P&DD and senior provincial bureaucracy. In last two years 5 Departments (of 35 in total) have been brought under MTBF fold. Based on experiences to-date and interactions with FD and MTBF Departments Consultant views that MTBF exercise would soon be coming under increasing stress from various commentators of being ‘unable to deliver enough’. This might not hold solid ground from line Department’s perspective but may carry some

weight while analyzing from lens of Central Departments. But then this also begs the question that Consultant has been consistently raising on almost ever forum is clarity around *'what Finance Department expects MTBF to deliver?'* Experience shows that it is easy to meet and manage expectations once they are clearly defined.

35. Moving forward, choices available to GoPb would need to be weighed quite carefully by FD and P&DD but they can be relatively straightforward and more so if the objectives of MTBF are well-defined. Principally, there can be two paths:
- a) ***Maintain current MTBF tide of 'bottom-up'***: This would basically mean bringing more Line Departments under MTBF fold each year and in essence maintaining status quo. Under this approach, likely impact of current MTBF implementation might be marginal for the Provincial Government as a whole and it may not derive benefits as described in above score card. At best, all it would achieve would be to improve quality of intra-sectoral allocation, improving budget estimation with some orientation to output based budgeting;
  - b) ***Strengthen 'top-down budgeting'***: Emphasis on improving the 'top-down' aspects of budgeting and focus on macro-budgeting areas like fiscal forecasting, agreeing and approving aggregate budget ceilings, presentation of budget strategy to Cabinet, etc. This would offer considerable efforts to GoPb and assist FD in achieving objectives defined under (i) and (ii). This does not mean that the work on 'bottom-up budgeting' should discontinue but rather it should continue in parallel. Readers need to note that 'top-down' and 'bottom-up' budgeting are not mutually exclusive.
36. FD and Line Departments need to appreciate their respective role in budgeting. Consultant views that the current course of MTBF needs an immediate review and perhaps alignment with GoPb provincial objectives. It is about time to take stock of where we are, consolidate progress and determine future direction in some form of an 'MTBF Implementation Strategy' and have it approved by Cabinet.
37. Issues raised above do not come as a surprise to Consultant but they further reinforces points that were already raised by Consultant in PCR (July 2009) which called for adopting an Action Plan based on lessons and experiences learnt during pilot phase. Advice to GoPb has been to view MTBF as part of wide ranging reforms with special emphasis on the 'top-down' aspects of planning and budgeting. It suggested following key components in Action Plan:
- a) Develop and institutionalize MTFE
  - b) Linking budget with provincial priorities
  - c) Linking policy, planning and budgeting
  - d) Improving budget instructions and guidelines
  - e) Developing budget analysis capacity
  - f) Improving budget presentation
  - g) PFM Capacity building

38. Keeping in view experiences to-date and in light of GoPb's plan to continue with implementation of MTBF Consultant believes that it is about time to bring on table (once again!) for consideration by GoPb authorities certain issues that MTBF faces. It will be a challenge to make any tangible progress unless these are addressed or factored into next phase of MTBF implementation. These are being discussed below:
39. **Provide strategic direction to MTBF implementation:** It not entirely clear as to what FD/GoPb expects to gain from implementation of MTBF. This point has repeatedly been re-iterated and raised by Consultant on a number of meetings and discussion forums including last Project Completion Report for Pilot implementation (July 2009). For example, typical benefits that are typically expected from MTBF include:
- a) Fiscal discipline – by constraining budget appropriations and execution in future years to levels that are consistent with government's medium term fiscal and sectoral priorities;
  - b) Facilitation sectoral prioritization that meets departmental priorities;
  - c) Efficient intra-sectoral allocations
40. Some from of prioritization (objective a) has indeed taken place during the second year of MTBF implementation at the level of line department (only!) but much work remains to be done in formalizing and institutionalizing these efforts. Where as central departments have yet to even conceptualize on how best to achieve objectives under a, b and c.
41. To-date MTBF has been seen as a very much a *'line department and consultant-led'*. This should not be the case. For a PFM reform to be successful Central Departments must come forward, provide strategic direction and ownership to reforms. Vision for MTBF in the eyes of Provincial Government should be crystal clear.
42. **Strengthen 'top-down' basis of budgeting:** Top-down element of budgeting remains very weak in terms of processes, institutions and the regulatory framework. Going forward without intensifying efforts for 'top-down' basis of budgeting is going to seriously impact MTBF efforts and in fact would dilute progress made to-date. Initial signs of this potential problem were visible from the way ceilings were communicated (and committed) to MTBF Departments but were later revised downwards which did not help in creating a positive environment between line and central departments. One likely cause of this ceiling could be the increase in salary by Federal Government which Punjab had to match in its budget.
43. For the benefit of readers - a top-down budget process means that a binding decision on budget aggregates is taken *before* allocating expenditure within that aggregate. In concrete terms, this means that decisions are taken in a cascading manner: a total expenditure level is determined before the allocation between main policies or sectors is made, and sectoral ceilings are set before the detailed division of expenditure within each sector is discussed and decided. In each step of the budget process, the allocation of expenditure is subject to the constraints that have been set at the previous stage. Introducing top-down budgeting is, therefore, an issue of *shifting the balance*

of the budget process with the aim of ensuring that budget decisions at all stages properly reflect aggregate fiscal policy priorities.

44. The organization of the budget process, and more specifically the order in which decisions about the size and the composition of the budget are taken, has an impact on government's ability to peruse sound fiscal policies. By ensuring that a decision on the total expenditure level is taken before the budget is allocated to main sectors, and that sectoral ceilings are set before the details of the budget are negotiated (i.e., by preparing and approving the budget top-down), it is possible to strengthen aggregate fiscal control and better align the budget with policy priorities. In case of GoPb even providing one year ceiling would not be a bad start for non-MTBF departments.
45. **More technical assistance towards FD and P&DD:** A careful analysis of MTBF efforts to-date would clearly reveal that implementation efforts have had a 'line department bias' in them, meaning that large part of technical assistance (approximately 90%) was placed towards line departments. This no doubt has provided more ownership at line departmental level but also seems to have created an ownership void at Central Department level. One has to strike the right balance between providing technical assistance to line and central departments. Following are the four key areas in Central Departments where further TA could be provided which includes:
  - a) Macro-fiscal forecasting;
  - b) MTBF budgetary analysis;
  - c) Revenue forecasting; and
  - d) Capital investment budgeting
46. **Involvement of political hierarchy:** Budgeting in public sector is after-all a decision and prerogative of public representatives (Cabinet/Provincial Assembly). It is them who have final say in approving budget put forward by executive (FD). Early involvement of political set-up could be done through Finance Department in collaboration with P&DD. Drawing from macro-economic framework and MTFF, FD in consultation with P&DD should around October/November prepare a draft Budget Policy Paper (BPP) and present it to Cabinet for deliberation and final approvals. This could well serve as a much needed trigger for debate around 'available resources vs available priorities' and might help legislature to come out of 'need' mode and move towards 'availability' mode. For macro-budgeting to be effective hard choices about resource distribution need to be made sooner rather than later for planning purposes. Once finalized, BPP should form the basis of preparing annual budget circular. A typical budget strategy usually has following four main components:
  - a) The government's strategic priorities
  - b) The MTFF including economic and revenue outlook
  - c) Establishes the fiscal targets for revenue, expenditure and the budget balance
  - d) Establishes expenditure ceilings and a provision for priorities.
47. **Increase coverage of MTBF:** At present only 5 departments are under MTBF fold covering around 21% of total budget provincial budget outlay excluding local governments in comparison

to 15% with 2 Departments in FY 2009-10. This is still a fractional coverage of over-all provincial budgetary resources and would need to be enhanced at an accelerated rate. It will be difficult to perform effective fiscal prioritization unless the over-all budgetary resources are in question and compared to provincial priorities. One needs to appreciate that faculties for prioritization automatically come into play when there exists an explicit resource constraint. For MTBF to be more effective in GoPb 'top-down' budgeting would need to be strengthened and for 'top-down' to be more meaningful budget coverage would need to be significantly enhanced including extending this exercise to Districts (albeit gradually!)

48. **Assess impact of top-down devolution:** With the passage of 18<sup>th</sup> Constitutional amendment in National Assembly it is likely that some federal functions (most notably Population Welfare) are going to be devolved from Federal to Provincial Governments. This is likely going to have fiscal and other administrative implications. While developing any plan for rolling out MTBF this aspect has to be carefully considered.
49. **Institutionalize capacity building:** Unfortunately, building PFM capacity remains one of the most over-looked areas in Government of the Punjab. There is no long-term vision to address this perennial problem that serves as a major obstacle in undertaking any PFM reform. It is unfair to expect from staff of line and central departments to undertake PFM reforms without equipping them through basic capacity building.
50. **Embed and institutionalize MTBF:** If MTBF is going to be the 'future medium' of planning and budgeting then it would be absolutely essential to initiate as a matter of priority concrete steps to institutionalize MTBF into regular budgeting rather than seen as a parallel effort to develop budgetary estimates. It is encouraging to note that an MTBF Cell has been established which will be manned by full-time financial analysts. Any future TA should work closely in building capacity of MTBF Cell. Preferably, MTBF should in effect be made part and parcel of the work of budget officers. Without underestimating establishment of MTBF Cell (staffed by contract employees) building a separate cell for MTBF purposes might give out indications that MTBF is something in addition to the annual budgeting exercise. This impression when raised needs to be managed as a matter of priority. Then there is also other consideration which needs attention i.e. how MTBF Cell would link to 'top-down' budgeting. FD and line departments as they stand need to develop critical mass to carry on MTBF.
51. **Harness PIFRA potential:** In today's day and age it is hard to segregate financial management with and information technology. GoPb is using SAP (Under PIFRA), however, its utilization in terms of budget analysis remains fairly limited. FD should build its capacity maximize SAP utilization for improved financial management. It is encouraging to note that FD has already initiated discussions with PIFRA authorities on this front.
52. **Integration of current and development budget:** This seems to be an acute problem in GoPb. Current and development budgets are dealt separately following different processes managed by two different institutions. FD is responsible for finalizing and preparation of current budget where P&DD is custodian of development budget. An integrated budgeting process under

which all aspects of resource allocation are reviewed in a holistic fashion during the annual budget cycle is considered an essential feature of a sound budgeting practice which is very much absent in GoPb. Lack of such basic integration could result in serious problems like failure to account for recurrent impact of development spending, politicization of 'development budget', in-adequate allocation of resource for operations and maintenance, sustainability of development spending, etc GoPb must look into ways of bringing greater coordination between these two budgetary processes and their respective institutions.

## **b) What went well – positive aspects that can be replicated?**

53. **More focused capacity building workshops for MTBF Departments:** Workshops played an important role in disseminating the conceptual and practical understanding of MTBF. Workshops for this year of implementation were broadly divided into two categories i.e (a) refresher course for old MTBF Departments - I&P and HD, and (b) workshops for new MTBF Departments. Learning from lessons and experiences of workshops conducted in Dec 2008 the technical material was considerably improved and made more relevant to each Department along with actual practical examples. This was coupled with tutorials for using Chart of Accounts and MS Excel. It was observed that skills and experiences learned during workshops and hands-on support were actually applied during preparation of budgets under MTBF mode. More than 2,000 staff of MTBF Departments were trained on medium term planning and budgeting.
54. **Further refinements to MTBF BCC and forms:** Improvements to MTBF BCC (2010-13) were made which included simplification of text and budget forms. Further technical enhancements like gender budgeting aspects were also added. In order to encourage prioritization and enhance impact of budget ceilings concept of 'Budget Committee' was introduced in MTBF BCC. Having said that much still needs to be done in 'reforming' MTBF BCC. In order to improve comprehension among audience who principally remains Budget Preparation Officers and DDO's discussions were also held whether it would be useful to have MTBF BCC translated in Urdu. But this idea was parked for the current financial year because it didn't prove easy to find suitable translators who could assist the project with translating budgetary and other financial terms used in MTBF BCC.
55. **Distribution of communication of budgetary ceilings across spending units:** This perhaps has to be one of the significant improvements made to the existing MTBF reform initiative that attempts to bring about fiscal discipline and promoting a culture and sense of prioritization with in Line Departments. As opposed to last year, budget committees were notified (through MTBF BCC) in MTBF Departments which then met periodically and distributed ceilings among all their spending units (SU's). Since this was the first attempt, budgetary distribute ceilings were distributed on the basis of a number of factors including Departmental priorities and SU's budgetary demands in year 1 of MTBF implementation and to some extent SU's previous spending pattern. Once the distribution of budgetary ceilings was finalized they were officially communicated to each spending units by respective Additional Secretaries for compliance and enforcement. Over-all compliance by spending units to these budgetary ceilings was very encouraging. In case of HD, more than 80% of spending units ensured that MTBF submissions were with in their respective budgetary ceilings.
56. **Initial signs of improvements in capacity:** During the course of implementation Consultant Team felt there were initial encouraging sings of improvements in capacity of certain MTBF Departments which can be described as a 'silver lining'. This was clearly evident in the spending

units of Health Departments who developed MTBF estimates requiring relatively little support from MTBF resident team. However, much challenges remains ahead and there is a need to 'build-upon' these early successes.

57. **Sector Reviews in MTBF Departments:** All MTBF Departments went through the exercise of sector reviews which brought about a range of interesting issues on table relating to Department's priorities and improving quality of intra-sectoral allocation. Needless to say the exercise was far from perfect but is being seen as a gradual effort to develop a sense and capacity of conducting an internal expenditure and priorities review before embarking on a detailed budgeting exercise
58. **Extensive review of budget estimates:** Budget estimates were reviewed extensively within the MTBF Departments before being submitted to FD/P&DD. At least three to four detailed and extensive sessions were held between concerned DDOs/ BPOs and the senior management of the MTBF departments at department headquarters. The Consultant Team not only coordinated these sessions, but also produced quite detailed analyses of budget demands and facilitated both sides in their review. The budgets were adjusted / refined in light of the comments from the top management of the pilot departments. The idea of internal reviews was to ensure adequacy and reasonableness of justifications, accuracy of estimates and logical relationship of outputs/inputs with budget estimates.
59. **Proactive involvement of senior management of LD's:** During this year of implementation it was observed that the relevant secretaries were much more involved and interested in MTBF. A number of carefully designed briefings were organized for them by Consultant Team at key stages of implementation. Their input was very useful in two notable stages of budget development i.e. distribution of budget ceilings and reviewing final MTBF budget submission to FD. They saw MTBF as a useful tool to implement departmental policy decisions over a medium term horizon. Participation of upper echelons of MTBF Departments is a very positive sign and such engagement should continue in any future implementation effort.
60. **Rapport between Consultant Team, FD, P&DD, PRMP and MTBF Departments:** There was a great level of mutual trust established between Consultant Team and all the staff of FD, P&DD (including PRMP), I&P, HD, L&DD, HED and E&TD at the very on-set thus laying the foundations to work as 'one-team'. This also created an amiable atmosphere to implement reforms in what could be called a complicated environment (typical of most public sector). Formal and at times informal day to day consultation and dialogues were held to think through and trouble shoot issues
61. **MTBF for development budgets:** During the first year of MTBF (2009-12) implementation the development budget could not be covered in detail similar to current budget. But for this year the development budget also came under MTBF fold which resulted in improving the quality of estimation. From the very onset budgets were developed using the economic (object) and functional classification which further expedited the finalization process and timely submission of SNE. There were also improvements in synchronization between FD and P&DD while issuing



ceilings. Ceilings that were prescribed in MTBF BCC (2010-13) were the same used for development budget purposes.

62. **Refinements to output indicators:** Along with developing medium term budget for FY 2009-12 output indicators were also developed. This was the very first time such exercise had happened in the department. Objective was for the line departments to be in a better position to track how their respective departmental resource distribution is linked to various service delivery aspects. However, during the second year of MTBF implementation (2010-13) it was observed that certain output indicators needed further refinements and adjustments. It should be noted by readers that developing output indicators in a deeply 'input oriented budgeting culture' like in Punjab Govt should be considered as an evolutionary process. It will be a while before such outputs are perfected.
63. **MTBF features in GoPb White Paper 2010-2013:** It was encouraging to note that positive references to MTBF were made in the annual budget documentation. The text included very ably articulated and could serve as a useful guiding principle for taking forward the MTBF agenda;
64. **Appreciation of wide budget management issues:** Once again during the second year of MTBF implementation it was pretty apparent that it will be difficult for MTBF to be effective unless wider budget management issues are addresses as well. These have been brought to light by Consultant in his previous PCR (July 2009) but also came apparent in the second year of MTBF implementation.
65. **Timely completion of MTBF budgets:** Once again during the second year of implementation, MTBF budgets were finalized by Line Departments (with the assistance of consultants) on a timely basis.
66. **Development of establishment post data base:** In I&P the number and postings of establishment have remained un-reconciled for past many decades. Department has had to rely on the final list of postings based on FD's record rather than having their independent record. Consultant Team along with Department developed a comprehensive database (Excel based) which not only has determined precise number of postings (and their respective locations) but also reconciled the same with FD's record;
67. **Reconciliation of SNEs:** Consultant Team at HED also provided help to the Department by carrying out reconciliation of SNEs. This involved compiling of old data and segregating SNEs into discontinued, continued, etc.
68. **Development of IT budget data base:** In the absence of a proper IT budgeting tool / 'Financial Management Application' a comprehensive budget data base in MS Excel was developed. This tool consolidates and analyzes financial and non-financial data gathered through forms prescribed in MTBF BCC and was instrumental in reviewing and finalizing MTBF budgets of line departments. It also offered a unique functionality involving verification of Chart of Accounts used by Line Departments.

69. **Compliance towards supplementary budget cap:** As part of GoPb's commitment towards PGEIP certain caps were placed on Pilot MTBF Departments i.e HD and I&P. It is increasingly looking likely that the budget being finalized for FY 2010-13 are actually within those ceilings

### **c) What could have been better -negative aspects that should be avoided**

70. **Rationale of implementing MTBF:** As was in the first year of MTBF implementation it is still not apparent if there is clarity around what GoPb expects to achieve from implementing MTBF, whether it is fiscal discipline, allocative efficiency or operational efficiency. While developing the 'outputs' aspects of current MTBF might look very appealing and could be considered as easier to sell but benefits from these are only marginal when compared with other benefits of MTBF ie fiscal discipline, allocating efficiency and operational efficiency. Failure to have clear MTBF objective is most worrying as GoPb is contemplating to expand MTBF to more line departments. It is difficult for MTBF to be effective unless its benefits are clearly well defined and understood across the board.
71. **Improving balance of TA between LD and FD:** To-date, the major thrust of technical assistance in introducing medium term planning and budgeting has been towards line departments. This is also evident that more than 90% of consulting resources were being consumed for line departments with balance being available to FD. This balance should be improved with more full-time dedicated resources available to FD and P&DD working on areas like macro-fiscal planning & forecasting, budget analysis, etc. MTBF Team did make efforts to build capacity of BO's on MTBF techniques but it was felt that these were not fully applied by them in reviewing and approving MTBF budgets.
72. **Non-publication and distribution of MTBF 2009-12:** Unfortunately, the MTBF statements of I&P and HD were not published by relevant authorities. At best it could have served as a technically sound 'reference' document. For e.g there is no single document in GoPb that looks at both current and development budget together. Sadly, this was a golden opportunity lost that could have had manifold impact including serving a powerful change management tool especially for the new and upcoming MTBF Departments. Consultant Team would sincerely urge authorities to make every attempt to publish MTBF statements (2010-13) are published on timely basis.
73. **Effective utilization of MTFE 2009-12:** MTFE was developed and approved by provincial cabinet in July 2009. One of its key features was the estimation of likely budget resource availability for line departments in the next two financial years. MTFE should have been considered a living document and updated for FY 2010-13 but this did not happen and casted a shadow on MTFE as a 'paper exercise'. Moreover, MTFE 2009-12 could have also been used in prescribing ceilings (even for single year!) to line departments for FY 2010-11 in the BCC as it enjoyed approval by the highest political levels. Such step could have very well have accelerated the pace of budget reforms under MTBF and in fact promoted the much needed culture of developing budget on the basis 'availability' rather than 'wants and needs'.
74. **Credibility of indicative budget ceilings:** Indicative budget ceilings (current and development budget) were communicated to all MTBF departments through MTBF BCC 2010-13. Using these ceilings as a likely indication of available fiscal space MTBF Departments carried out an internal

exercise based on which priorities of Department were chalked out ceilings and based on these priorities indicative budget ceilings were distributed amongst all spending units. These were then formally communicated to all respective units. However, when the budget was being finalized and during the course of negotiation between FD and MTBF Departments (period between Management Committee Meeting and Steering Committee meetings) revisions to indicative budget ceilings were made which resulted in final budget being finalized at a level which was lower than what was prescribed in MTBF BCC. This most certainly has a doubt about one of the most important characteristic of any budget i.e 'predictability' and is not very conducive for an effective MTBF implementation.

75. **Impact of Department Strategic Review:** While it is reassuring to note that DSR indeed did take place but its impact on improving the quality of budget allocation for FY 2010-13 has been less than satisfactory. This is applicable to all MTBF Departments except for I&P. This is because of late start of DSR but more importantly due to delays in submission of reports.

Name of Department	Submission of current budget	Submission of draft DSR
Irrigation and Power Department	5 March 2010	29 March 2010
Livestock and Dairy Development	2 April 2010	21 March 2010
Health Department	6 April 2010	<i>not yet finalized</i>
Higher Education Department	6 April 2010	9 March 2010
Excise and Taxation Department	15 Jan 2010	15 Jan 2010

76. **Lack of seriousness in capacity building:** Despite raising the matter at various forums there have been no concrete efforts by relevant authorities at GoPb to build PFM capacity of line departments. Other than the workshops by Consultant Team there has been no other initiative on the ground to assist MTBF / Line Departments. It is essential for GoPb authorities to initiate efforts to build sustainable PFM capacity which is at all levels of GoPb remains exceedingly low albeit with some pockets. It is a challenge to do any form of basic PFM reform (let alone MTBF!) without launching in parallel adequate capacity building efforts on sustainable basis. The whole paradigm of capacity building with respect to PFM needs to be thought through quite carefully in GoPb. Through MTBF implementation Consultant Team did manage to run MTBF specific capacity building workshops but it was quite clear that much more concerted efforts need to be made towards building sustainable PFM capacity. In Consultant's view even little effort such as providing training of MS Excel to finance and accounts staff could have a profound effect on PFM capacity in GoPb. Additionally, capacity building should be 'institutionalized' and not considered as a 'one-off' event. Window of opportunity available for FD, P&DD and Line Departments to run a decent capacity building program is very limited i.e between August–October needs to be exploited.
77. **Regularization of SNE's (Statement of New Expenditure):** It was observed that certain SNE's are not being regularized (as part of permanent current budget) but are still being submitted by MTBF Departments to FD for approval as a non-permanent budget despite passage of three

years after official close of PC-1. The situation appears to be more chronic in HD where there are more than 342 SNE's. Certain SNE's are more than 20 years old (Lahore Children Hospital).

78. **Lack of budget monitoring:** Detailed output indicators were developed along with budget estimates for FY 2009-12. These represented what departments (& their spending units) plans to achieve against the resources provided by FD/P&DD. Comprehensive budget monitoring mechanics should have been developed based on which progress against these output indicators might have been monitored. This would have also meant that periodic financial reporting format would need to be improved to align the with these output indicators. But unfortunately this did not take place. Otherwise such effort would have sent some very positive signals to line departments that FD is actually serious in budget monitoring plus it would have also strengthened FD. This activity should be undertaken as a matter of priority in the next TA.
79. **Regularization and extension of joint protocols:** With or without being signatory to ADB joint protocol – GoPb should consider merits of extending this exercise to all other departments and make it a regular procedures rather than something that GoPb feels is being done as part of loan conditionality.
80. **Limited capacity in FD to appreciate better budgets:** During course of implementation it was observed that there exists very little capacity in FD to appreciate and analyze budgets being prepared by the MTBF Departments. For example during budget finalization it was noted from working papers that Budget Officers primarily rely on spending units previous spending trend while approving budget. Well this could be one of the criteria but not necessarily the sole criteria. Furthermore, role of budget officer and their institutional relationship with line departments needs a fresh review. International experience suggest that Budget Officer should be linked to Line Department not only at the time of approval of annual budget but this ought to be seen as a continuous relationship where BO becomes as a 'budget analyst' and monitors budget execution through out the year.
81. **Lack of commitment controls:** Though not necessarily something that forms under the purview of planning and budgeting but has a direct impact on the commitments especially the one capital in nature. GoPb does not exercise commitment control (single or multiyear) in its expenditure management cycle. This has some serious implications and could also give rise to arrears. Commitment Control System (CCS) is an integral part of expenditure control framework in any budget execution process as it allows / restrict ability of line department / spending unit to enter into a transaction that would result in future liability. Adequate controls at that point of budget execution cycle are of extreme significance. The objective of CCS regime is to require line departments to focus on controlling the initial incurrence of events that may lead to possible liabilities rather than the subsequent cash payment. Situation that leads to multi-year commitments impose additional responsibilities especially for especially FD as it has future fiscal implications. The multiyear contracts/commitments should in principle be incurred only after obtaining the formal approval of the central departments. The spending agencies should be required to submit to the central department's full details of multiyear contracts including the

anticipated commitments and payments for each year of contract. These could then be fed into developing a credible medium-term budget framework.

82. **Effective use of Functional classification:** The existing functional classification (in the Chart of accounts) being used in MTBF Departments do not reflect the policy objectives of these Departments. Functional classification should be 'policy aligned' so that it becomes as an effective link between budget and policy and helps line departments in allocating (and monitoring) resource according to policy objectives. A Technical Note – Role of Functional Classification and Programme Budgeting in Effective Expenditure Management (developed for MTBF at Federal Level) has been shared with FD and PRMP which discusses this issue in much detail and also provides reform suggestions.
83. **Sector / departmental strategies should guide budget preparation:** There are no sector plans in MTBF or Line Departments. It is unclear how departmental policies are translated into plans and later budgets. These are important linkages that helps in governments (line departments) translating its policy objectives into concrete budget allocations.
84. **No formal forum in LD's for setting budgeting priorities:** There exists no core group in Line Departments which is responsible for determining departmental budget priorities for financial year (or possibly in the medium term). This is a case for establishing a formal budgetary committee headed by Secretary/Additional Secretary which determines departments /sectoral budget priorities before commencing detail budgeting that should guide resource allocation process. Through MTBF BCC (2010-13) some efforts have been made to bring about this prioritization process but much work remains to be done.
85. **Activation of MTBF Federal –National Coordination Committee:** In order to share experiences and lessons learnt (exchange notes) of MTBF implementation going on at the Federal and Provincial Levels an 'MTBF National Coordination Committee was formed in 2006. This served as a forum for coordinating activities around budget reforms / MTBF for all the four provincial Finance Departments. GoPb should consider requesting Ministry of Finance to re-activate this useful forum.
86. **PC-1 database / sometime lack of key information in PC-1 document:** No form of database exists in either FD or Line Department that captures details of on-going capital projects or more commonly known as schemes. Information relating to PC-1's are spread around a number files and documents. It was advised by Consultant that this information should be gathered in some form of an IT data-based which can then be used for analytical purposes. For example had this tool been in place it would have been easy for FD and Line Departments to extract critical information like 'recurrent impact of development budget'.
87. **Discretionary budget allocation in I&P:** While the MTBF budgets for I&P were developed at the spending unit level based on their needs and priorities. But unfortunately the same resources could not be made available to them during the budget execution phase. This is because the budget release was made to the level of controlling DDO's who used their discretionary powers

to determine respective release figures which in some cases for spending units turned out to be lower than what was actually allocated. This certainly created a negative feeling among spending units and underestimated MTBF initiative.

88. **Raising profile of MTBF reforms:** An important reform like changing existing paradigm of budgeting (from annual to multi-year) requires commitment at a much higher forum at the very outset including possible engagement at the political level. To be fair there was commitment amidst limited awareness (of benefits) at some levels of senior bureaucracy; however, there wasn't adequate sense of visibility across the political structure. Adequate awareness / out-reach initiative should complement PFM reforms. Project had limited visibility except of course for MTBF sensitization workshops run by Consultant Team for finance and account staff of FD, P&D and MTBF Departments.
89. **Identification of redundancies:** While reciprocating the predictability offered by FD in the shape of provision of budgetary ceilings it was observed that line departments should also identify what are the areas where savings could be made which can be used more effectively elsewhere. This is an interesting area and deserves further careful consideration and how it could be possible used for other management purposes. For example FD could consider incentivizing such saving for line departments i.e. any saving (or its %) generated could be re-appropriated for other departments purposes, etc.