

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Government Centre, Port Louis, Mauritius

Some thoughts on making the Paris Declaration work for Global Initiatives, Capacity Building and Technical Assistance drawing on the Mauritius Experience

1.0 Background: setting the stage

1.1 Mauritius is among the most vulnerable countries in the world to current changes in the world trade regime and is facing a sharp transition from dependence on trade preferences to open competition in the global economy. GDP growth has fallen from 5-6% per year in the late 1990s to 3-4% in the last 5 years. Moreover, the triple shocks of the dismantling of the Multifibre Agreement, soaring oil prices and the sharp cut in the guaranteed sugar price have impacted negatively on two key sectors namely, Sugar and Textiles. Unemployment has been rising, from 3% in the early 1990s to nearly 9% today, in part due to the contraction of the textile industry which has left a lot of women unemployed.

1.2 In view of addressing this situation, the Government of Mauritius has embarked on a 10-year economic reform programme that aims at hiking back the economy to a higher growth path and making it more competitive, flexible and adaptable by (a) fiscal consolidation and improving public sector efficiency; (b) enhancing trade competitiveness. (c) improving the investment climate to rank Mauritius among the Top Ten most investment- and business-friendly locations in the world. (d) democratising the economy and (e) ensuring balanced equitable development.

1.3 Development partners are supporting many Government reform initiatives in terms of both financial and technical assistance. However, there are several issues related to the efficiency and effectiveness. Constraints that contribute to inefficient use of financial and other inputs by the Government and development partners are: (i) occasionally supply-driven technical assistance topic selection; (ii) lack of executive agency ownership and involvement in the technical assistance design and implementation; (iii) poor consultant performance; and (iv) ineffectively disseminated and used technical assistance outputs.

2.0 BUDGET REFORM

2.1 Fiscal consolidating and restoring fiscal discipline has been one of the core components of the reform programme. Among others, the following measures have been taken: -

- (i) The Business Facilitation Act has been reviewed to make improve the ease and reducing the costs of doing business in Mauritius (For instance, under the Rule based approached, the Silent Agreement Principle allow an SME to set up within 3 working days.)

- (ii) The Mauritius Revenue Authority has been set up, which brings all revenue departments under one entity with a integrated computerized system.
- (iii) A New Procurement Office has been set up to replace the Central Tender Board.
- (iv) The Finance and Audit Act has been amended and the Public Debt Management Bill introduced to bring more efficiency in the use of public funds with the PBB framework.

2.2 Another key initiative taken by the Government is the rapid move rapidly to link Outputs (delivery of public goods or public services) with the associated inputs (activities, processes, human resources, financial resources and external inputs) through the introduction of a Programme-Based Budget (PBB) embedded in a 3-year Medium Term Expenditure Framework (MTEF). The organizing framework is a three year planning horizon to achieve desired Specific Objectives that may themselves only be realized over a much longer horizon.

2.3 PBB has been introduced to change the focus of the budgetary process from an input-based annual activity to a performance-based multi-annual exercise that clearly links the funds appropriated by the National Assembly to outcomes and outputs. PBB implies in particular that ministries prioritise their activities and shift scarce resources from low to higher priority programmes. The PBB for FY 2008/09 will provide the much needed link between sector strategy, budget policy and the wider reform programme.

2.4 The Ministry of Finance and Economic Development (MOFED) plays the role of coordinator and quality control agent to ensure that the line Ministries formulate plans and priorities within the appropriate framework. Activities are of course critical because it is through these that we produce the desired goods and services. However, our biggest struggle is to help line Ministries understand that their PLANNING focus needs to be on OUTPUTS i.e the goods and services they produce. Activities are what the budget will finance but what we require them to think about is whether for any given service or good they need to

1. Expand the supply
2. Produce new goods or services
3. Improve quality
4. Reduce cost of delivery

2.5 It is around these objectives that medium to long term Specific Objectives can be delivered. It follows that for each Output there must be at least one Specific Objective but there may be more than one. Moreover, we also need to keep track of our cumulative progress over time. This is why specific performance indicators are required to set annual targets for the coming budget year. Again each Specific Objective must have at least one Specific Performance Indicator but there may be more than one where relevant.

3.0 Making the Paris Declaration work

3.1 The above framework has immediate and direct consequences for the Paris Declaration which we can explore in turn.

3.2 Ownership and articulation of priorities

3.2.1 The above framework requires line Ministries to prepare a Ministry Strategic Plan to formulate its objectives regarding outputs and the associated targets and indicators it will use to monitor progress.

3.2.2 It also requires the line Ministry to figure out what activities and resources it needs to achieve its objectives and, over time, how to reorganize its administrative structure to best deliver.

3.2.3 In Mauritius, a relatively well performing middle income country with a reasonable level of human capital, the line Ministries just do not have the capacity to formulate such a plan on their own. In part it may be a problem of weak planning functions but most importantly, the civil service is over-stretched with day to day activities with few resources and even less time for system planning activities.

3.2.4 Moreover, it appears to be very hard based on our experience to shift the mind set of managers and staff who are focused on inputs and activities. It has also proved very difficult to shift MOFED staff from their instinct for micro-management and over-controlling. Clearly these instincts are not only deep seated but necessary in a system that is purely focused on inputs. However, orchestrating the shift in approach to give Power with Responsibility to the line Ministries is difficult for both sides (MOFED and the line Ministries).

3.2.5 The combination of mind set, shortage of planning time and capacity and the difficulty in first identifying the services that should be provided and their level of quality, all make it essential to have Cooperating Partner input into the process.

3.2.6 What is true for Mauritius is probably even more important for the less developed countries with weaker capacity.

3.2.7 In Mauritius we have found that external expertise can be very valuable to move the process along. It has proved very difficult to get the Cooperating Partners to coordinate with each other, with MOFED and with the line Ministries. Missions are planned without enough consultation between partners and with the line Ministry and MOFED.

3.2.8 We are instituting a mechanism for a dedicated unit to work with the Cooperating Partners to upgrade mission planning from a mere post box function to an active mission management function that is integrated into the needs and timing of the line Ministries. We are just at the start of this endeavour and have asked the World Bank to take a lead role in helping us coordinate the interventions of the Cooperating Partners.

3.2.9 In addition, we have asked UNDP to put in place a mechanism that would allow us to press for untying Capacity Building and TA support and to use agreed procedures to recruit consultants (as happens now with Budget Support: we adopt internationally accepted norms and in return the Cooperating Partners all use our system (that they have endorsed) for recruitment.

3.2.10 We have also learnt that short missions have limited value. They energise the system but once gone the energy level drops back and day to day routine takes over. Instead we need at least one person on the ground at least in each key Ministry to assist the Supervising Officer to keep a working group going in thinking and developing a Ministry Strategic Plan.

3.3 Alignment of Cooperating Partner flows

3.3.1 Perhaps there is too much effort on alignment of cooperating partner financing relative to cooperating partner technical input and capacity building.

3.3.2 If we can develop, with cooperating partner assistance, the PBB framework described above, the alignment of financial flows would follow more or less naturally, especially given the real progress made under the Paris Declaration to date. What is missing, however, is an alignment of the technical inputs that are required to develop the PBB and the integration into the PBB framework of Global Public Goods and Global Facilities.

3.3.3 The PBB if properly set up would allow us to achieve both alignment of cooperating partners to the allocative priorities of the country as determined by each Ministry and also system alignment in financial systems, procurement, auditing and implementation arrangements. The PBB would bring out which units are responsible for providing such services and set the service standards for achieving the desired quality that would make Cooperating Partners comfortable. By agreeing on medium term Specific Objectives and monitoring progress in meeting the annual Specific Performance Indicators, the Cooperating Partners and the concerned unit in Government would work in a coordinated and harmonized way to mobilize the necessary resources and develop the required activities to achieve the desired outcomes within an agreed time frame.

3.4 Harmonization among cooperating partners

3.4.1 As explained above, the harmonization among partners needs to be actively worked on. Having a formal mechanism for making this happen including planning of missions seems essential. Cooperating Partner involvement is probably essential to strengthen this capacity in Government. In Mauritius we are working with UNDP to build up a Capacity Building Planning Unit within the Ministry of Finance and Economic Development. The Unit is part of our Department for Mobilisation of External Resources and will work closely with the World Bank local office which has been requested to help us coordinate the support of the Cooperating Partners.

3.4.2 This framework when linked to the PBB will allow us to integrate all interventions including from Global Facilities (e.g. we are integrating both HIV and AIDS and Carbon Finance initiatives into the framework). We are at an early stage of the process and much work is

required before we meet our objectives. However, the PBB with an active Unit staffed with external assistance to build up our capacity seems to be a feasible approach to get the desired results. We must, however, emphasize that the external assistance must be integrated into our structures and not run as a Project Implementation Unit outside our structures.

3.4.3 In the case of Mauritius, and possibly other countries, this may require changes not only in Cooperating Partner approach but also a review of our administrative and hiring practice to allow integration of contractual with more permanent staff.

3.5 Managing for results

3.5.1 The framework we are developing allows both sides to manage for results. By keeping the focus on medium term Specific Objectives and Annual Specific Performance Indicators, we are able to monitor progress on an annual basis. However, holding organizations to account is impossible if we cannot hold staff to account. This is why the PBB must be complemented with a Performance Management System (PMS). Again, in Mauritius the PMS has been piloted by the Ministry of Civil Service and Administrative Reform (MCSAR) and there is close coordination with MOFED.

3.5.2 However, there seems to be an underestimation of the demands of PBB and PMS on an already overstretched system. The Cooperating Partners have been slow to coordinate to organize and deliver resources to support these two intertwined and parallel initiatives. A stronger upfront investment by the Cooperating Partners in Capacity Building for both PBB and PMS is required. In countries with less capacity than Mauritius this is likely to be an even more important bottleneck. Moreover, development partners should establish a database of reliable Consultants and Monitoring and Evaluation mechanism to assess the performance of Consultants.

3.5.3 The proposed Regional Multi-Disciplinary Centre of Excellence (RMCE) to serve Eastern and Southern Africa and the Small States Network, could be a useful tool for Cooperating Partners to use in helping countries address these important areas (PBB and PMS). The RMCE is being set up with the assistance of the World Bank and EC and we would appreciate a stronger involvement of other Cooperating Partners and more input from other developing countries.

3.6 Mutual accountability

3.6.1 The above framework offers direct means of ensuring mutual accountability. However a mechanism is required to put this together. We propose building on the annual Business Plan consultations which could both review progress within the PBB and PMS framework and coordinate Cooperating Partner support based on results achieved.

3.6.2 The key watchword is to ensure resources are deployed to unlock cumulative progress in meeting the agreed Specific Objectives. The annual performance targets may not be met, but the

medium term Specific Objectives would probably still remain valid. So the discussions could focus on what each side needs to do to make sure the Specific Objectives can be met, learning from successes and failures in meeting the annual Specific Indicators.

3.6.3 Resource flows have to be linked to success. Perhaps there should be an inverse link between TA and Capacity Building support and progress made and a proportional link to these indicators and financial flows. More precisely, a country that fails to meet its agreed targets should lose financial assistance. However, in parallel, it should be given more TA resources to enable it to build the capacity to improve performance in meeting targets.

3.6.4 In line with this belief in the importance of Capacity Building, we have created a Service to Mauritius Programme to attract the brightest students (both Mauritians and International) to serve in Government for periods of between 1 month and 2 years (with a maximum extension of one additional year). This programme is limited to those in the top 10 in their class in Mauritius and the top third of the class internationally.

3.6.5 We have also set up in the coming budget an ambitious Capacity Building Programme to cover the next three to five years. We are investing one third of the cost from our own resources and looking to the international community for the remaining two thirds and we have estimated the Programme cost at about US\$20 million.

Contributors

Mr Ali Mansoor

Mr Anil Kumar Kokil

Mr Sudesh Puran

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Ministry of Finance and Economic Development

Annex: Mauritian Experiences

1.0 HIV and AIDS

1.1 The Government of Mauritius is strongly committed to the implementation of National HIV and AIDS Programme. Funds are being mobilised from different sources, including WHO, UNAIDS, World Bank, COI, NGOs, the Private sector under Corporate Social Responsibility, etc. Mauritius will also be submitting a proposal to Global Fund under Round 8 Proposal. Funds are also being disbursed from or annual budget. The results areas/outcomes/outputs in this proposal are the same as in the annual budgets.

1.2 There is a need to ensure that there is no duplication and bring more synergies between proposals being financed by World Bank, EU, private sector and UN resources and the government budget and.

1.3 Thus, Donor Community should come up with a framework where the NGOs, the private sector and the Donor Community could pool financial resources and transfer through a common window for greater accountability. For instance, in Mauritius the NGOs dealing with HIV and AIDS receive funds from private sector, international organisation and the government. But we do not have framework to assess the total funds mobilised.

1.4 In line with governments move to PBB we would begin to build a HIV/AIDS Programme in which government, UN, EU, World Bank and our considerable private sector resources could be pooled in a Common Fund.

1.5 Moreover, Donor Community are also aware of the need for capacity building NGOs and Government staff, for effective Programme Design and Management, M&E, Financial Management and Sub-granting and Communications/IEC.

2.0 Support from the EU

2.1 Under the 9th EDF Mauritius benefited from the technical assistance to the wastewater sector from EU to the tune of around Euro 1.2 million. The contract for the TA was awarded to the consultant firm DHV Water BV in 2006.

2.2 The consultant submitted his claims for works performed which was based on the number of days worked in Mauritius. However, the consultant has based himself on 22 days instead of 30 days, which represent the normal working days in Mauritius, inclusive of weekend. The claims were not approved by the EU.

2.3 The number of working days was not made clear at the tendering stage and the consultant could not be blamed on the methodology used for his calculation. This issue has been resolved after lengthy discussions with both the EU and the consultant. Delays in payment of claims have been encountered over and above the additional resources employed to resolve the matter.

2.4 On the other hand, the EU Accompanying Measures for Sugar provides for both the restructuring of the sugar sector (which is in critical need for re-structuring following the decrease in price of sugar for exports to the EU) and non-sugar related sectors such as Government's ambitious Empowerment Programme to re-skill the growth and unemployed and help them find jobs and self-employed opportunities. Conditions for the disbursement of such funds are not restricted to the targeted sector (sugar in this case) but are applicable to performance of the economy.

3.0 Medium Term Expenditure Framework

3.1 In 2003, Mauritius started with the implementation of the MTEF. Since it was a new concept, Government of Mauritius resorted to the services of Consultants. The project was financed under the IDF Grant from the World Bank. Unfortunately, none of the Consultants could not provide the proper guidance.

