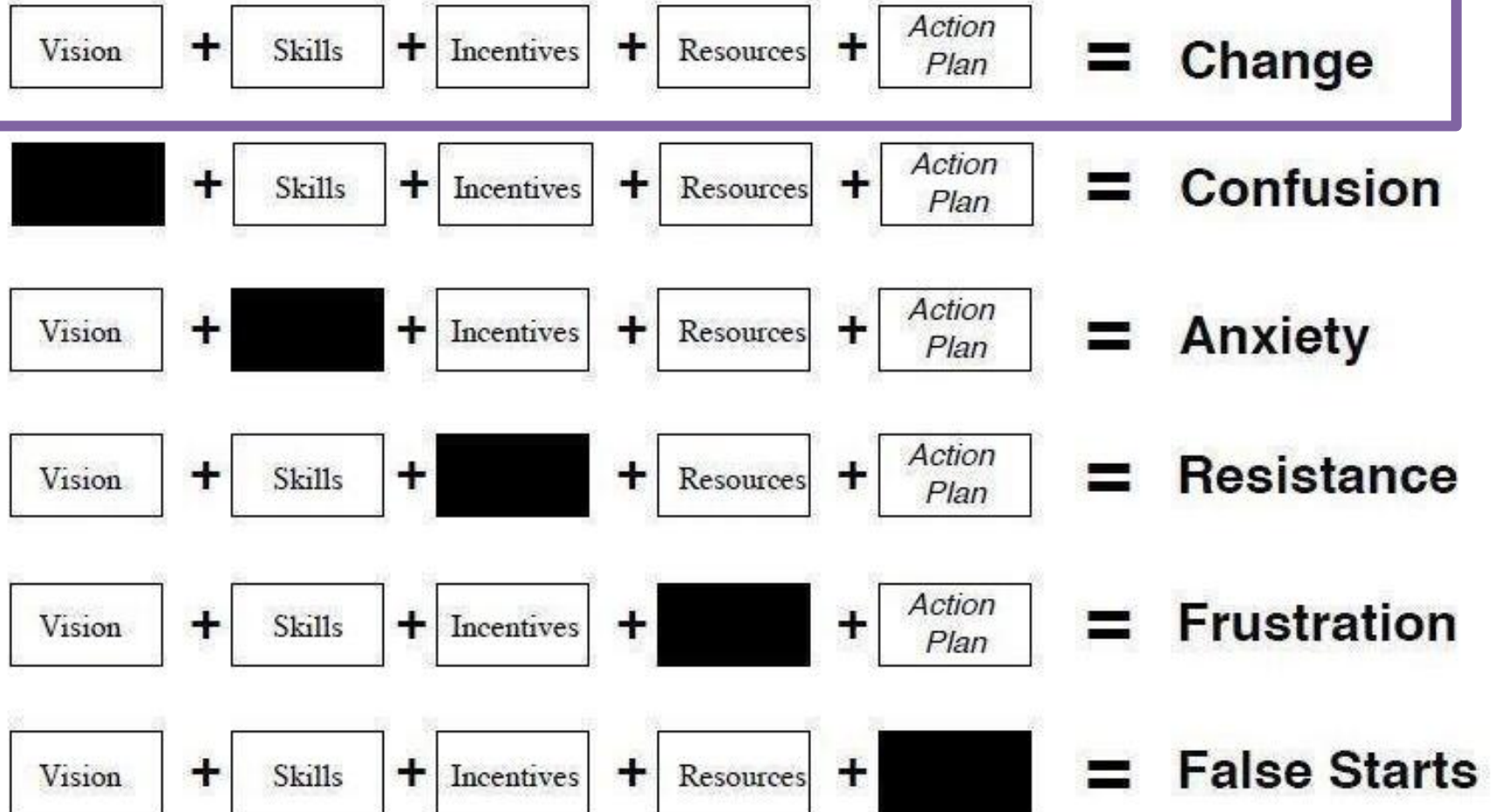


Performance Budgeting Reform: Concept and Plan

Presentation at QDPM
Ministry of Finance
April 2016

Managing Change



Adapted from Knoster, T., Villa R., & Thousand, J. (2000). A framework for thinking about systems change. In R. villa & J. Thousand (Eds.), Restructuring for caring and effective education: Piecing the puzzle together (pp. 93-128). Baltimore: Paul H. Brookes Publishing Co.

This is to be used as a key reference in order to consistently improve technical capacity.

Performance Budget Reform

- Objective: To improve the linkages between Planning, Budgeting and Monitoring.
- Legal Framework: Decree Law 22/2015 (8 July 2015)

Managing Change in the Performance Budget Reform

Vision

- Planners and political leadership are easily able to align budget allocation with national priorities. Performance information will help make decisions about future budgets.

Skills

- Know-how and deep knowledge of systems and processes in the chairs of the reform committee. A lot of experience of Budget officers and IFMIS staff in working with the system.

Incentives

- Allocation of budget to different programs will depend on performance – encouraging program managers to achieve results and better service delivery.

Resources

- Budget of \$700,000. Team of technical staff led by DGSF, DGE and DGT. Support provided by consultants and technical assistance.

Action Plan

- List of programs and activities by end-April/May. Updated Chart of Accounts and IFMIS system by June. Performance Monitoring System by July-August to be used for the YRW and BRC 2017.

What the reform means for stakeholders?

MoF no UPMA

- Improved linkages between planning, budgeting and monitoring
- Ease of implementation

Implementing Agencies (LM)

- Low Complexity
- Few changes in existing templates and forms
- Give LM greater flexibility in managing their finances

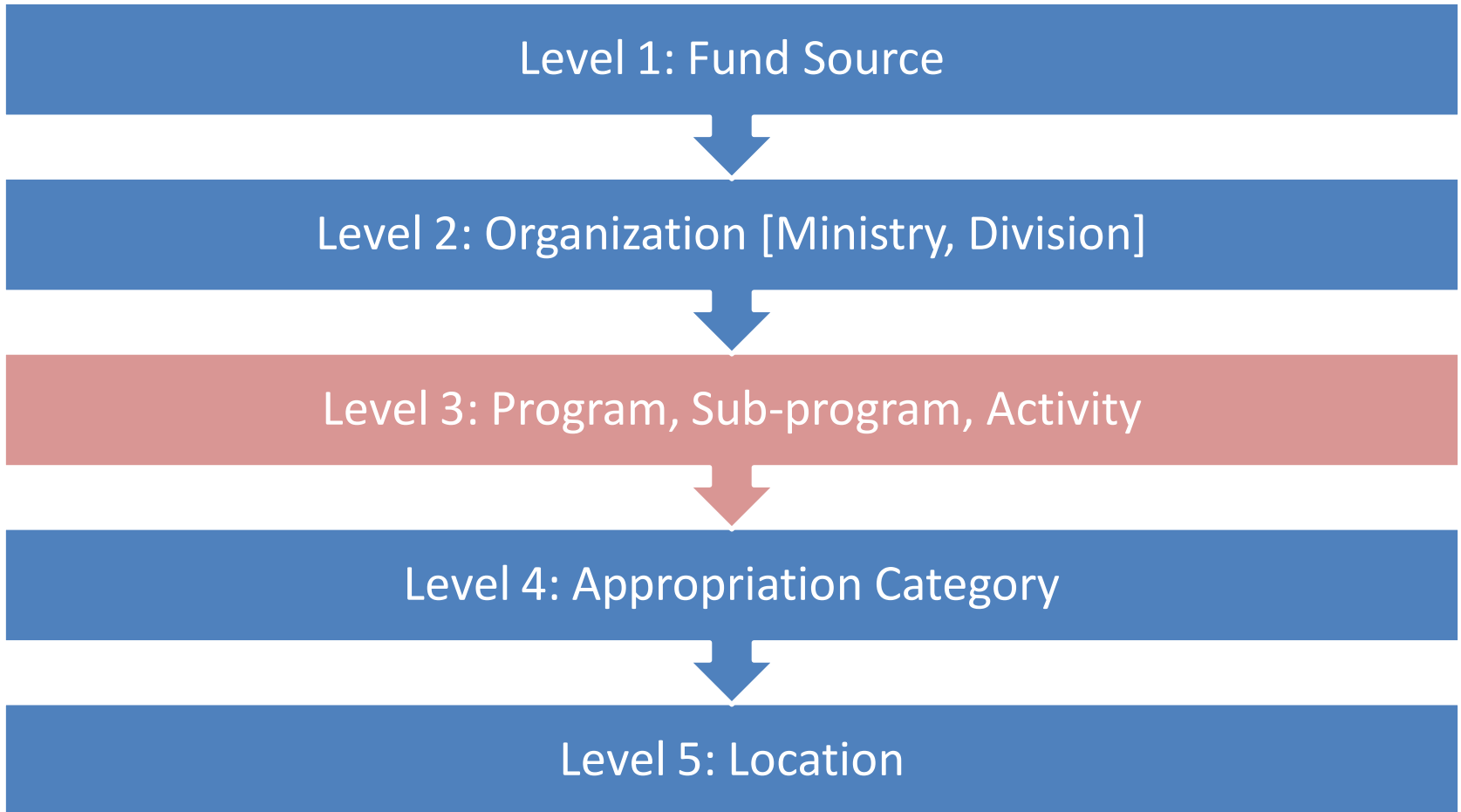
Partners and Donors

- Better understand what State Budget resources are used for
- Improve ability to evaluate the impact of spending on service delivery

Principal Reform Steps

- Based on the agreement between MoF and UPMA:
 - UPMA and LM/IE will **define the programs** of implementing agencies.
 - LM will go through a process of internal prioritization and **define their budgets for each program and activity** by appropriation category (except salaries and wages).
 - MoF – IFMIS will **update the Chart of Accounts** and accordingly the templates used by Budget and Treasury, as well as produce financial reports by program.
 - UPMA will create and manage a **performance monitoring system** to monitor the physical performance of implementing agencies.

Chart of Accounts



In the Chart of Accounts, changes will be made at Level 3. New program names and codes will be inserted based on the information from UPMA. There will be no change in Level 2 of the CoA. The level of control will also remain the same as before.

Initial Steps implemented in 2016 Budget Cycle

- Creation of UPMA in the GPM
- UPMA collects information on the principal programs of line ministries.
- This information was included in the Green Briefs used for the Budget Review Committee discussions.
- Mini BRCs were created in line ministries.
- Following the new Execution Decree, UPMA will validate the procurement plan, execution plan, capital plan as well as virements.

AAP: Old

AAP: New

Plano Anual do Ministério das Finanças para 2015

OBJETIVOS (Nível 2)	PROGRAMAS E SERVIÇOS (Nível 3)	ATIVIDADES (Nível 4)	RESULTADOS ESPERADOS + INDICADORES DE DESEMPENHO 2015	OBSERVAÇÕES ADICIONAIS	ALOSP
Integração e posicionamento global de Timor-Leste					
Timor-Leste será membro de organizações e instituições globais relevantes de forma a servir as necessidades do povo.	Timor-Leste continuará a desempenhar o seu papel na organização do g ⁷⁺ e a conduzir diálogo internacional sobre construção da paz e construção do estado.	Timor-Leste aumenta a sua visibilidade e solidariedade através da partilha da experiência relativa ao Novo Acordo nas reuniões técnicas e ministeriais do g ⁷⁺ .	RE1: Ponto focal de TL no g ⁷⁺ participa em pelo menos duas reuniões do g ⁷⁺ ; Primeiro Ministro e Ministro das Finanças (ou outro Ministro relevante) de TL participam; partilha das experiências de TL na reunião ministerial do g ⁷⁺ . KPI1: Participação da delegação de TL em reuniões técnicas do g ⁷⁺ e na 4 ^a reunião ministerial no Alagoasão. RE1: Ministra das Finanças e pontos focais do g ⁷⁺ / Coordenador da implementação do Novo Acordo participam e partilham o progresso relativamente à implementação do Novo Acordo em Timor-Leste. KPI1: Participação da delegação de TL na 5 ^a Diálogo Internacional sobre Construção da Paz e Construção do Estado. RE1: Recção e discussão do veredicto actualizado sobre o progresso na implementação de cada OCPCE. KPI1: Retorno ordinária mensal do GTNA circular. RE1: 1000 a 1500 participantes (incluindo líderes locais; representantes políticos locais; sociedade civil e representantes do poder local (chefes de suco)) participam e vão expostos ao Novo Acordo e ao grupo do g ⁷⁺ . KPI1: 13 discussões de mesa redonda conduzidas nos 13 distritos. RE1: Documento de compaço de TL disponível; aprovação e lançamento até ao final de 2015. KPI1: Equipa englobando representantes da Presidência, Parlamento, Ministérios Operacionais e sociedade civil estabelecida. Equipa trabalha no compaço para TL. RE2: 2 ^a avaliação de fragilidade conduzida e resultados anunciados até ao final de 2015. KPI2: Equipa de investigação estabelecida e matriz do Novo Acordo utilizada para monitorizar o progresso da implementação do Novo Acordo. RE1: Matriz do Novo Acordo relativamente a TL disponível e utilizada para monitorizar o progresso da implementação do Novo Acordo. KPI1: Matriz do Novo Acordo desenvolvida, incluindo OCPCEs, FOCUS e TRUST.	Sector da Governação UGPD/ Secretenário do g ⁷⁺	
Timor-Leste mantém o seu compromisso relativamente ao Novo Acordo e garante que este tem uma maior acção política no país.		Fortalecimento do Grupo de Trabalho do Novo Acordo (GTNA) criado em 2014.			
		Aumento da acção política através de mudanças de discussões de mesa redonda sobre o Novo Acordo em 13 distritos.			

Programas / Atividades	Indicadores de Desempenho	Melo de Verificação	Baseline (Data)	Meta Anual	ER	Fontes de Financiamento	Divisão	Orç 2016				
								Cat. Orç				Total \$
								B	C	C	T	
Objetivo Geral 1: Meta Final: Indicador de Prestação de Serviços:												
Programa 1: (Objetivos específicos)												
Atividade 1												
Atividade 2												
Atividade 3												
Total Orçamento Programa:												
Programa 2: (Objetivos específicos)												
Atividade 1												
Atividade 2												
Total Orçamento Programa:												
Programa 3: (Objetivos específicos)												
Atividade 1												
Atividade 2												
Atividade 3												
Atividade 4												

Linking Planning, Budgeting and Monitoring

PLANNING

- UPMA to send the list of program-activities to MoF - **NEW**
- Use program information for the Yellow Road Workshop and calculating fiscal envelopes - **NEW**
- LMs prepare AAPs based on the SDP and SDGs

BUDGETING

- LMs cost their AAPs - **NEW**
- MoF updates CoA and inserts new codes
- This produces the link between Budget Books 2 and 4 - **NEW**
- Budget Review Committee Meetings
- Debate in the National Parliament

MONITORING

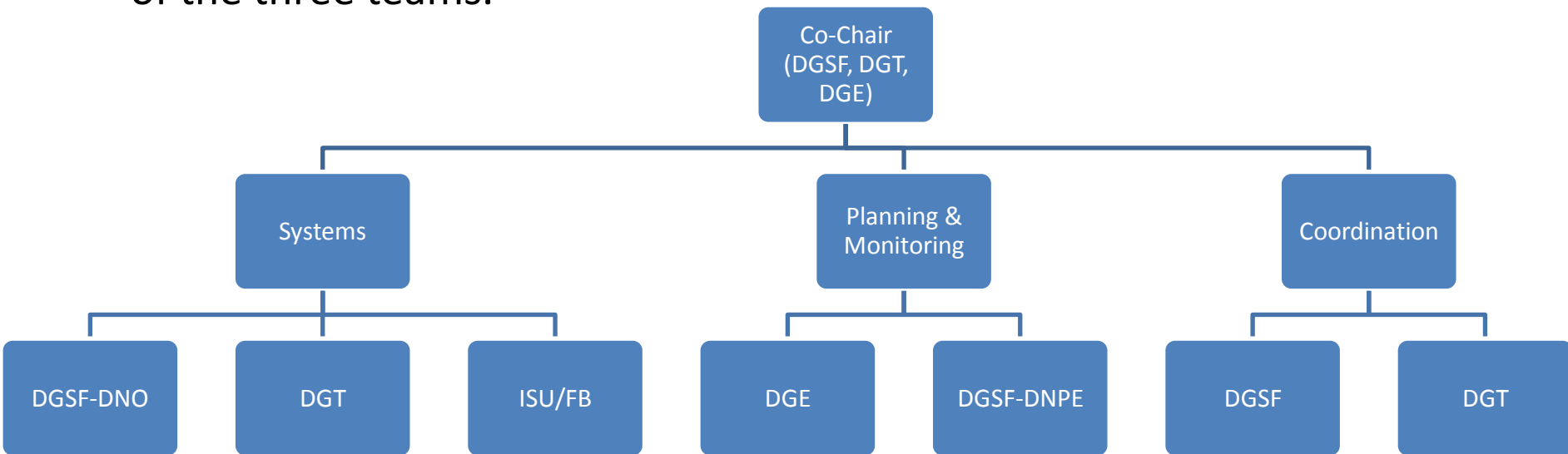
- Performance Monitoring (UPMA): Using Performance Management System - **NEW**
- Financial monitoring (MoF)
- Using this information in BRC discussions to analyze performance and decide budget allocations in the future - **NEW**

Reform Risk Matrix

Risk	Probability	Impact	Description	Solution
Delay in provision of list of program/activity from UPMA	Low	High	To given enough time to the MoF to distribute the fiscal ceilings and make changes in IFMIS.	Start early. UPMA to at least send an initial list with the bigger Ministries by end of April.
Low ability in LM/IE to cost programs	Moderate	Moderate	LM/IE usually cost by item, not program. There may not be enough time to change their process within a year.	Provide strong technical assistance to LM. Anticipate that budget quality might not be very high to begin with.
Linkages with execution process in Treasury	Moderate	High	FMIS is an integrated system. There is a possibility that some changes might be required in the codes of contracts. This might impact execution in 2017.	Speak to Free Balance in advance and get their estimation on the time required for the changes.

Structure of the Performance Budgeting Reform Committee

- Change Management Commission to manage the 3 reforms, with the Minister of Finance as President, and Vice-Minister of Finance as Vice-President.
- Three teams will look after different aspects of the Reform in detail.
- The 3 Co-Chairs will be responsible for the coordination of the activities of the three teams.



Next Steps

Level Co-Chair

Internal presentation of proposal within DGFE

Presentation of proposal to stakeholders

Presentation of proposal to Change Management Commission

Presentation to Council of Ministers (if required)

Systems Team

Identify changes required with FB. Prepare timeline.

Cost the additional services provided by FB not included in their contract.

Update CoA, clean up and create new codes.

Alignment with payment systems

Planning and Monitoring Team

UPMA and SDG Working Group link SDP and SDGs

Coordinate with UPMA to get the list of program/activities and directorate responsible

DNPE coordinates with UPMA on the monitoring of performance and indicators

Coordination Team

Training for LM on completing the budget costing template

Technical Assistance to help LM cost their programs

Training for LM on changes in the payment systems

Update Budget Manual

Possible Training for Different Teams

Systems Team

- PB and GRP Systems
- Procurement and Execution Process
- Understanding the Chart of Accounts

Planning and Monitoring Team

- Planning process, SDGs and link with SDP, Choose and use 'SMART indicators' (Specific, Measurable, Available/Achievable in a cost-effective way, Relevant, Timely), M&E for projects and programs

Coordination Team

- MdF: Project Costing, Understanding 'Project Life Cycle', Calculating Value for Money
- LM: Planning, Budgeting, Project Costing, Procurement Processes