

# AFRICAN DEVELOPMENT FUND



## **Budget Process Enhancement**

(Background Paper # 7)

ADF-XI Replenishment Meeting

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## **1. MAJOR GOALS AND OBJECTIVES**

1.1 Since 2003, the Bank committed itself to a budget process reform with the aim of attaining better development results and high quality service delivery to client countries. The key objectives of the reform are to: (i) move towards Managing for development results (MfDR) agenda, (ii) strengthen the link between the Institutional Priorities and the resource allocations while ensuring active consultation with the Boards for priority setting; (iii) maintain sufficient institutional budget flexibility; (iv) establish a new accountability and performance framework; and (v) engage in budget capacity building at the institutional level.

## **2. THE REFORM ACTION PLAN**

2.1 The budget process reform requires multiple change initiatives at various layers of the organisation (Boards, Senior Management, Staff) and a clear action plan that coordinates the process enhancement actions/activities while remaining flexible for making adjustment during and after implementation. It also entails prioritisation of actions as the scope of the process reform is huge and covers the key phases of the budget cycle (formulation and business planning, budget execution and monitoring, budget control and evaluation).

2.2 Twenty-three (23) actions have been identified for implementing the process reform. They have been segregated into two groups:

- *Actions that are within the purview of the Boards* and that require formal decisions and approval of the Executive Directors. They relate essentially to: (i) the review of the regulatory framework of the budget (ii) the dollar budgeting to provide full administrative budget fungibility and devolution of budget responsibilities to organisational units, (iii) the move from input to program budget and (iv) establishing an accountability and performance framework.
- *Actions that are within the realm of Management.* They relate essentially to (i) delegation of budget authority and the strengthening of the institutional governance of the budget (for budget consolidation, arbitration and amendments); (ii) performance reporting (development of performance indicators, development of management information systems, effective reporting) , and (iii) the building up of budget capacity within the institution (development of organisational and managerial capacity, certification, appropriate incentives to improve productivity and effectiveness in the use of budgetary resources).

### 3. THE PHASES OF IMPLEMENTATION AND TIMELINE

3.1 The scope of the process enhancement agenda covers several steps which are phased out as follows:

- Phase I addresses the Bank's budget regulatory framework followed by a new accountability and performance framework. It also involves the development of adequate safeguard in support of revision of input controls and fungibility. Table 1 below summarises the action matrix of phase I.
- Phase II will address the implementation of Phase I proposals through the change management action plan
- Phase III will expand the accountability and performance framework to include MfDR, and move towards a multi-year framework.

3.2 In terms of timeline, the first transitional implementation phase will begin with the 2008 budget exercise which will start in May 2007. Phase II will over-lap 2008/2009 budget cycles incorporating adjustments resulting phase I evaluation. Phase III will start much later in the overall process and will target 2009/2010 budgets as it involves new framework for results-oriented program of work and medium-term results-based Key performance indicators.

**Table 1: Action Matrix of Phase I of the Budget Process Enhancement**

ACTIONS	CHANGES REQUIRED TO					
	Regulatory Framework		Framework for New Budget Policies and Guidelines			
	Resolution	Financial Regulations	Delegation of Authority on Budget Matters	Budget Policies and Guidelines, and Structure	Accounting Functions/ System	Capacity Building and Training Program
Devolution of Authority →	√	√	√	√	√	
Fungibility ↓		√		√	√	
Performance Reporting					√	
Change Management				√	√	√
<b>DECISION ORGANS</b>						
Board	√	√				√
Management ↓		√	√	√	√	√

### 3. **CONCLUSION**

The implementation of the budget process reform offers several benefits and opportunities to the Institution. Once successfully implemented it will improve governance, provide greater transparency, strategic focus and increased accountability, and enhance performance. A full fledged budget reform document covering the issues requiring Board approval was presented on February 7, 2007 and is currently being examined by Board Committees.