

Public Expenditure Efficiency: M&E System Strengthening for Improved Social Services for Children

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Objective of Public Financial Management Reform Programme:

A Message of the Chairman:

...“An effective and efficient public financial system will improve fiscal and economic management to ensure sustainable growth”....

...“In all of our actions, we strive to ensure an effective and efficient public financial management system with transparent and clear accountability for the sole purpose of national development, especially poverty reduction for the people of Cambodia”.

Background

- Public Financial Management Reform Programme (PFMRP): Platform approach
 - *Stage (i) improving budget credibility (2004-2008);*
 - *Stage (ii) improving financial accountability (2009-2015);*
 - *Stage (iii) improving budget policy linkages (2016-2020);*
 - *Stage (iv) improving performance accountability (2021-2025).*
- Stage III of PFMRP: Improving Budget Policy Linkages:
 - Concept Paper on Strategic Direction of Budget System Reform 2013-2020
 - Introduction of budget strategic plan (BSP), programme budget (PB), budget entities (BE) and financial management information system (FMIS) in 2015 after piloting since 2007
 - Expansion of PB from 10 line ministries in 2015 to all 39 line ministries and agencies in 2018

Background

- **Performance-based budgeting** aims to improve the efficiency and effectiveness of public expenditure by linking the funding of public sector organizations to the results they deliver, making systematic use of performance information.
- Budget System Reform Strategy 2018-2025: Moving from programme budgeting to Performance Informed Budgeting starting from 2021, a basic form of performance-based budgeting.
 - medium-term macroeconomic and public finance framework;
 - medium-term budget framework; and
 - budget strategic plans of ministries/institutions/provincial levels
 - Determine budget ceiling for ministries-institutions
 - Improve budget negotiation framework by giving weight on outputs from 2018
 - Start giving weight on performance information from 2021
 - Performance Agreement on output from 2019 and outcome from 2023
 - **Develop an essential M & E framework from 2019 and pilot it in 2023**

Budget Efficiency.....

- **Three main objectives of Public financial management (PFM):**
 - Maintaining a sustainable fiscal position or discipline
 - Effective allocation of resources
 - *Efficient use of resources to deliver goods and services with quality*
- Efficiency measures **outputs** in relation with **inputs** (OECD/DAC) **or** refers to cost per unit of output (*Anwar Shah and Chunli Shen, 2007*).
 - Inputs/*Intermediate inputs*: resources required to produce outputs.
 - Outputs: Quantity and quality of goods and services produced
- Calculation of efficiency generally requires comparison (benchmarking) with alternative approaches (or similar PPPs) for the production of the same outputs (products/services).

Public Expenditure Analysis Tools to help assessment of budget efficiency

- **Budget Analysis**

- The most common first step to analyse expenditures is to undertake a budget analysis. This basically consists of tabulating data from the annual national budget across different dimensions, e.g. economic, functional or administrative classifications, and comparing expenditures across years and sectors.

- **Public Expenditure Review (PER)**

- A PER assesses the level and composition of *actual* public expenditures (defined as domestic expenditure and foreign assistance) over the last three to five years, as well as budget expenditures against the desired policy goals and target outputs.

- **Public Expenditure Tracking Surveys (PETS)**

- PETS allow a detailed analysis of financial flows – tracking the flow of resources through the various layers of government bureaucracy down to service delivery facilities like schools or clinic in order to determine how much of the originally allocated funding reaches each level, how long it takes to get there, and what it is used for once it has arrived.

Public Expenditure Analysis Tools (cont'd)

- **Quantitative Service Delivery Survey (QSDS)** including **benefit incidence analysis**. QSDS are surveys at the service delivery level to assess the quality of services offered to the population.
- **Sector initiatives**: national accounts of health, education (NHA, NEA), Tracking financing for water, sanitation and hygiene (TrackFin), nutrition etc.
- **Value for Money Analysis (VfM)** is a specific aspect of expenditure analysis, relating to the links between budget inputs, outputs and outcomes. It includes below analytical methods:
 - Cost-efficiency analysis
 - Cost-effectiveness analysis
 - Cost-benefit analysis
 - Cost of inaction analysis

Public Expenditure Analysis Conducted in Cambodia by World Bank

- PETS for Health (2008) and Education (2005), Education (2017)
- PER (1999) for health and education
- PER (2003) for health, education, agriculture and road transport
- PER (2011) for health, education, and agriculture
- PER (2017) for education and agriculture (forth coming)

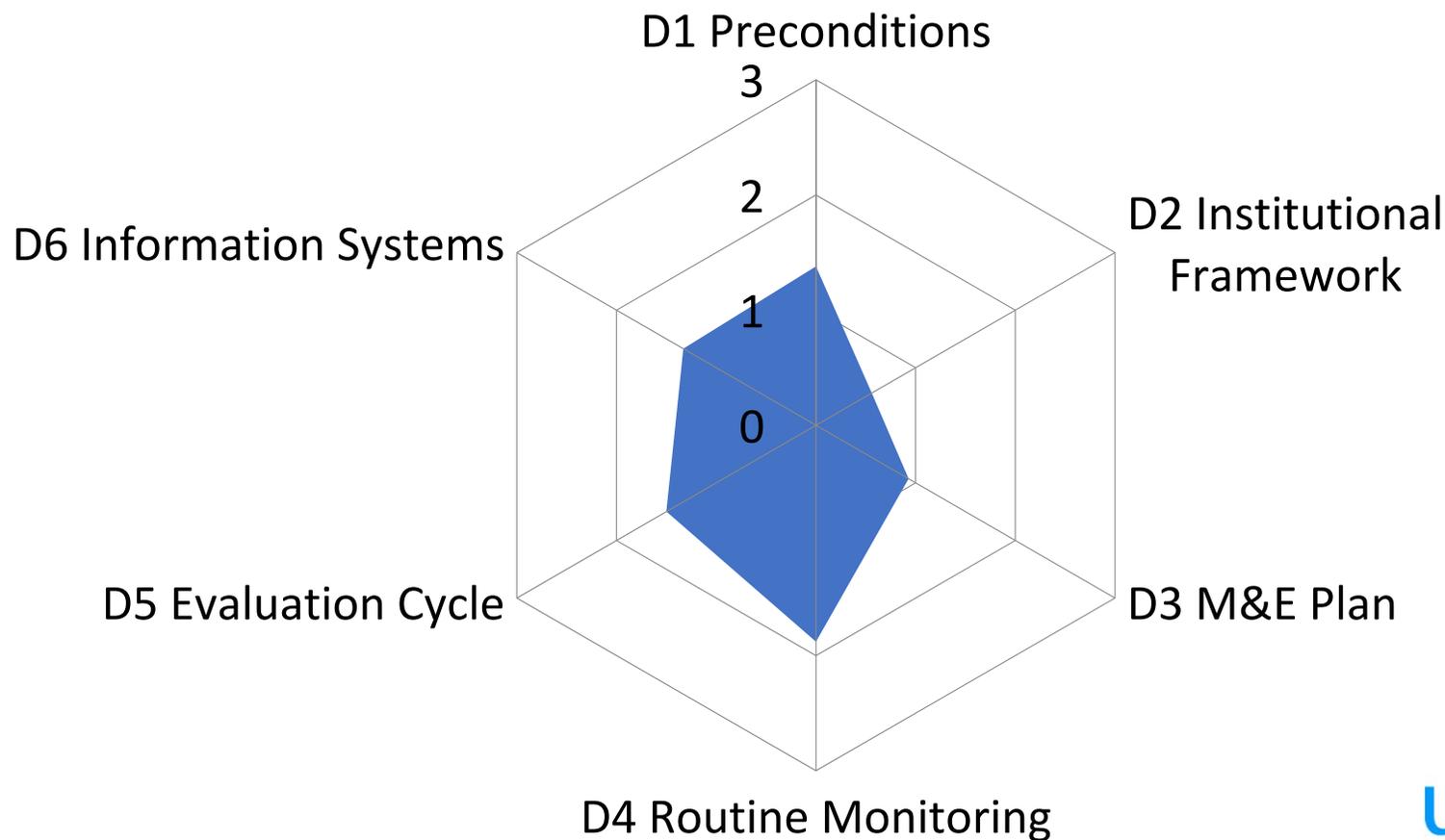
Budget Efficiency Challenges

- Performance budgeting has got ahead of other reforms that are necessary foundations for a performance based management of public services.
 - The current platform of the PFM reforms needs to be completed.
 - Human resource management in the public sector is not capable of supporting performance based management,
 - Performance data is not available on a sufficiently complete, timely or reliable basis to track performance and there is no process in place for regular monitoring and evaluation of programs.
- UNICEF policy-budget linkages review exercises has revealed interesting findings...(see next slide)

UNICEF review of policy-budget alignment and programme budget structure

- Lack of linkage between programme budget to sector strategic plans particularly lack of clear articulation of result in programme budget to strategic plan. This also applied to provincial level which showed inconsistency between budget allocation and status of indicator.
- Key performance indicators (KPIs) are not well developed and placed at the right level.
- Line ministries continue to produce traditional report (administrative based) not programme based reporting or result based reporting.
- Attempted to produce performance report for two selected ministries faced critical challenges of lack of data and information.

Overall Score of M&E System of NSDP Implementation, 2015



Proposed Solutions for enhancement of Programme Budget in preparation for performance-informed budget

- Proposed solutions from WB Report (2016)
 - program monitoring and evaluation
 - civil service human resource management
 - collection systems for performance data
 - Independent oversight of the budget.
- UNICEF proposed solutions:
 - Utilization of public expenditure analysis tools in key sectors
 - Develop national M&E strategy/guideline and result framework linking articulation of result from Rectangular Strategy Phase IV to NSDP 2019-2023, Sector Strategic Plans, Budget Strategic Plans and Annual Budget.
 - Programme structure should be articulated in NSDP and sector strategic plan 2019-2023 to allow better alignment and improve efficient use of public finance
 - Develop and implement effective capacity development plan for performance informed budgeting
 - M&E plan should be developed and funded by government budget
 - Clear division of role and responsibility on M&E (MEF, MoP?)

Thank you!