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Building macroeconomic capacity in East Africa



IMF East AFRITAC
Regional Public Financial Management (PFM) Virtual Workshop:
Budget Baseline Costing
Date: 7 – 11 December 2020

1. Background

Most East AFRITAC (AFE) member countries have adopted Medium Term Budgeting Frameworks (MTBFs), which are at various stages of maturity. These intend to: (i) link bottom up costing needs of existing and new policy; (ii) compare these with a fiscally sustainable resource envelope, and; (iii) reconcile the difference between (i) and (ii) through expenditure prioritization, the use of the budget analytical techniques and the budget challenge function.

Despite these principles being uniform across the region for over 20 years, several countries in the region face challenges in deriving bottom up costing. Main challenges center on the ability to accurately calculate a budget baseline in order to assess the fiscal gap between existing policy requirements and the fiscal resource envelope and prioritize expenditures accordingly.

AFE conducted a regional workshop in December 2019 to explore costing techniques used in the region for the recurrent and capital (development) budget. Twenty-six officials from finance ministries and the national treasury participated from all seven AFE member countries. The workshop approach involved a mix of lectures, country presentations and the development of country reform road maps.

Workshop participants noted the need to develop regional costing guidelines to help better define and calculate the budget baseline. Definitions of what comprises a budget baseline varied amongst country representatives as no country has prepared guidelines for budget costing.¹ Four cross cutting capacity building themes were identified during the workshop. These were:

- (i) **A need for higher level costing of major service delivery areas:** whilst most countries tend to cost at the input level, countries with program and performance structures stressed the need to have higher level cost drivers such as the cost to deliver free education per pupil, deliver primary health care per patient and provide extension services per farmer;

¹ For example, countries exchanged views on defining existing and new policy measures as part of the budget baseline with limited agreement and various costing methodologies were used for broad expenditure categories – such as transfers or whether pipeline projects constitute ongoing project commitments.

- (ii) **The need to better record arrears and contractual commitments for capital projects:** No member country has a reliable means of quantifying arrears for projects and there is no common definition of arrears in the region. Unpaid bills can lead to additional costs such as interest fees and legal costs, which need to be factored into baseline calculations. In the absence of this, member countries are entering into new contractual commitments in excess of MTEF ceilings;
- (iii) **A need to strengthen IT systems to support budget costing:** planning and budgeting IT systems are not sufficiently configured to calculate a budget baseline in most member countries. In IT systems design, limited attention appears to have been given incorporating different costing methodologies, cost drivers and linking financial and non-financial information to support the budget challenge function;
- (iv) **The need to strengthen institutional processes to support decision making:** The adoption of early budget decision making (sometimes referred to as the strategic budget phase), that underpin baseline costing vary considerably across countries and the level to which budget costing is transparently reflected in the budget is generally low across member countries.²

2. Workshop Objectives

The workshop aims to develop regional budget costing guidelines to: (i) better define baselines in the context of AFE countries; (ii) provide general and sector specific guidance in their calculation by identifying cost drivers, and; (iii) clarify institutional arrangements on the use of budget baselines as part of the budget decision making process.

To achieve this objective, the workshop will be conducted in three phases:

Phase 1: Drafting of the guidelines (Oct-Nov 2020) - Participants will work in groups to develop provisional drafts of chapters for the guidelines;

Phase 2: Virtual workshop to discuss drafts (Dec 2020) – Working groups will convene virtually and present drafts for feedback from the wider group;

Phase 3: Physical “hands on workshop” workshop to finalize the first draft (2021) - Working groups will convene physically and undertake a series of presentations, discussions and hands on group sessions to consolidate the first draft. Further information on this phase will be provided at a later stage when travel in the region safely resumes.

3. Workshop Themes

This workshop and the draft guidelines will focus on the following themes:

² In some countries budget calendars are they are very advanced and spaced out, whilst others raised concerns of time being squeezed for prioritization choices. Most countries undertake costing analysis internally on an ad hoc basis whilst a limited few have the ability to publish financial and non-financial information concurrently and illustrate the source of major cost drivers as part of budget documentation.

Theme A: The Baseline Budget Concept and Costing Techniques: The objective of deriving a budget baseline in the context of fiscal sustainability and budget tradeoffs; how to prioritize within an MTBF constraint, MDA action plans, the budget challenge function and the use of standardized costing techniques.

Theme B: Costing the Recurrent Budget: Specific areas that member countries are having challenges with, including arrears, recurrent costs associated with capital spending and externally financed projects, co-financing and interest payments. Examples of standardized costing techniques for each major expenditure category.

Theme C: Costing the Development Budget: Calculating contractual commitments and the recording of multi-year commitments. The relationship between project appraisal, selection and costing in the budget cycle. Presentation of tools to assist countries in the region and how the development of these tools can be built into reform programs.

Theme D: Cross Cutting (enabling) areas: Cross cutting areas to support effective budget costing and expenditure prioritization, including: (i) the budget calendar and challenge function; (ii) IT systems and budget costing, and; (iii) the use of performance and program budgeting

4. Organization

Phase 1 will involve interactive group working sessions in accordance with the schedule in Annex 1. These will include both presentations of international good practice and sharing of experiences via country presentations and group discussions. The groups will meet once a week in October and November to share updates on working drafts of the guidelines and solicit feedback from other members.

Phase 2 will be conducted through a mixture of facilitation methods over five half day sessions as outlined in Annex 2. These will be structured around targeted group discussions on each of the four themes in order to foster peer learning between participants and map out the next steps in developing the first consolidated draft of the guidelines as part of phase 3.

Due to regional travel restrictions, the workshop will be conducted virtually. Both phases will be delivered through video conferencing and cloud sharing technology. [WebEx](#) will be used as the main video conferencing platform. All presentations and material will be shared electronically to participants through the cloud platform [Box](#).

5. Target Participants

Participants will be the same as the December 2019 workshops (Annex 3), with the addition of colleagues from the Budget Department in South Sudan.

Confirmation of attendance should be emailed to East AFRITAC not later than Friday, 11th September 2020. All enquiries should be sent to the following workshop coordinators:

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Annex 1: Working Group Composition (Phase 1)

Group	Country	Theme	Phase 1 Meeting Schedule
1	Eritrea, Tanzania (Zanzibar), Malawi (1), Uganda (1)	Theme A: The Baseline Budget Concept and Costing Techniques	October 5, 19 (2020) November 9, 23 (2020)
2	Kenya, Tanzania (Mainland) Uganda (1)	Theme B: Costing the Recurrent Budget	October 6, 20 (2020) November 10, 24 (2020)
2	Uganda (2), Malawi (2)	Theme C: Costing the Development Budget	October 7, 21 (2020) November 11, 25 (2020)
3	Rwanda, Ethiopia	Theme D: Cross Cutting (enabling) areas	October 8, 22 (2020) November 12, 26 (2020)

Notes:

1/ Group 1 Malawi and Uganda Budget representatives – see Annex 3

2/ Group 2 Malawi and Uganda Public Investment representatives – see Annex 3

WebEx Meeting Links will be sent one week in advance of meetings

Annex 2: Workshop Agenda 7-11 December (Phase 2)

Time	Session	Resource persons
Monday, December 7, 2020		
9:00 – 9:30 am	Welcome and introduction to the workshop	East AFRITAC
Theme A: The Baseline Budget Concept and Costing Techniques: The objective of deriving a budget baseline in the context of fiscal sustainability and budget tradeoffs; how to prioritize within an MTBF constraint, MDA action plans and the budget challenge function and the use of standardized costing techniques		
9:30 – 11:00am	Session 1: Presentation of draft outline for Theme A: The objective deriving a baseline budget in the context of fiscal sustainability and budget tradeoffs; how to prioritize within an MTBF constraint, MDA action plans and the budget challenge function.	Group 1 representatives: Eritrea, Tanzania (Zanzibar), Malawi, Uganda
11:00 – 11:30	Break	
11:30 – 13:00pm	Session 2: Group discussion on Theme A: Discussion on ways to enrich the structure and content	East AFRITAC, all country representatives
Tuesday, December 8, 2020		
Theme B: Costing the Recurrent Budget: Standard costing techniques highlighting specific areas that member countries are having challenges with including managing the wage bill and pensions, arrears, recurrent costs associated with capital spending and externally financed projects, co-financing and interest payments.		
9:30 – 11:00 am	Session 3: Presentation of draft outline for Theme B: Standard costing techniques for the recurrent budget	Group 2 representatives Kenya, Tanzania (Mainland), Uganda
11:00 – 11:30	Break	
11:30 – 13:00 pm	Session 4: Group discussion on Theme B: Discussion on ways to enrich the structure and content	East AFRITAC, all country representatives
Wednesday, December 9, 2020		
Theme C: Costing the Development Budget: Calculating contractual commitments and the recording of multi-year commitments. The relationship between project appraisal, selection and costing in the budget cycle. Presentation of tools to assist countries in the region and how the development of these tools can be built into reform programs.		
9:30 – 11:00 am	Session 5: Presentation of draft outline for Theme C: Calculating contractual commitments and the recording of multi-year commitments. Project Appraisal, Selection and Costing	Group 3 representatives Uganda, Malawi
11:00 – 11:30	Break	
11:30 – 13:00 pm	Session 6: Group discussion on Theme C: Discussion on ways to enrich the structure and content	East AFRITAC, all country representatives

Thursday, December 10, 2020		
Theme D: Cross cutting (enabling) areas: Cross cutting areas to support effective budget costing and expenditure prioritization, including: (i) the budget calendar and challenge function; (ii) IT systems and budget costing, and; (iii) the use of performance and program budgeting		
9:30 – 11:00 am	Session 7: Presentation of draft outline for Theme D: Cross cutting enabling areas (i) the budget calendar and challenge function; (ii) IT systems and budget costing, and; (iii) the use of performance and program budgeting	Group 4 representatives Rwanda, Ethiopia
11:00 – 11:30	Break	
11:30 – 13:00 pm	Session 8: Group discussion on Theme D: Discussion on ways to enrich the structure and content	East AFRITAC
Friday, December 11, 2020		
9:30 – 11:00 pm	Session 9: Group discussion and wrap up: Pulling it all together. Way forward and next steps to produce a first draft of the guidelines and prepare for phase 3 of the workshop	East AFRITAC Country Representatives

Annex 3: List of Participants from the December 2019 Workshop and group allocations for December 2020 workshop

Name	Country	Section/Division/Department	Job Title	Group
Mr. Tesfayohannes Abbay	Eritrea	Budget and Fiscal Planning	Budget Expert	1
Mr. Tesfamichael Teklemariam	Eritrea	Budget and Fiscal Planning	Budget Expert	1
Mr. Suud Mohammedbrhan	Eritrea	Budget and Fiscal Planning	Budget Expert	1
Mr. Omar Omar Mlenge	Tanzania	Budget	Head of Budget Execution	1
Mr. Suleiman Haji	Tanzania	Budget	Budget Reform	1
Ms. Zena Hassan	Tanzania	Budget	Head of Budget Preparation	1
Ms. Belinda Bisamaza Bagubwagye	Uganda	Project Analysis and Public Investment	Economist	3
Mr. Charles Matovu	Uganda	Budget Policy and Evaluation	Senior Economist	1
Ms. Olivia Nassuna	Uganda	Budget Directorate	Economist	2
Ms. Brenda Nantumbwe	Uganda	Budget Directorate	Economist	3
Mr. Calyst Ndyomugabi	Uganda	Project Analysis and Public Investment	Principal Economist	3
Mr. Charles Mtonga	Malawi	Economic Planning and Development	Chief Economist	3
Mr. Phillip Matewere	Malawi	Budget	Budget Officer	3
Ms. Chisomo Tsonga	Malawi	Budget	Principal Budget Officer	1
Mr. Simbarashe Mwadiwa	Malawi	Budget	Budget Officer	1
Mr. Erasto Kivuyo	Tanzania	Government Budget	Accountant	2
Mr. Ignas Chuwa	Tanzania	Government Budget	Principal Economist	2
Mr. Edson Toto	Tanzania	Government Budget	Economist	2
Ms. Donnah Mbabazi	Rwanda	National Budget	Budget Formulation Specialist	4
Ms. Jeannette Rwigamba	Rwanda	National Budget	Director of Budget Management	4
Mr. Tesfahun Eneyew	Ethiopia	Fiscal Policy	Team Leader	4
Mr. Geremew Beyene	Ethiopia	Budget Preparation and Administration	Team Leader	4
Ms. Askale Atsebeha	Ethiopia	Budget Preparation and Administration	Senior Expert	4
Mr. Alexander Riithi	Kenya	Budget	Economist	2
Mr. Chege Nduati	Kenya	Budget	Deputy Director of Budget	2
Ms. Miriam Musyoki	Kenya	Budget	Principal Budget Officer	2

Notes: Group refers to group allocation indicated in Annex 1