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### Acronyms & Abbreviations

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<th>Description</th>
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<tr>
<td>DFID</td>
<td>Department for International Development (U.K.)</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>MDA</td>
<td>Ministries, Departments and Agencies</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>PEM</td>
<td>Public Expenditure Management</td>
</tr>
<tr>
<td>PER</td>
<td>Public Expenditure Review</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>PRGF</td>
<td>Poverty Reduction Growth Facility</td>
</tr>
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<td>PRSC</td>
<td>Poverty Reduction Strategy Credit</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
</tr>
<tr>
<td>SPA</td>
<td>Strategic Partnership with Africa</td>
</tr>
<tr>
<td>SWAp</td>
<td>Sector Wide Approach</td>
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1. Introduction

A medium term perspective to budgeting is increasingly recognised as crucial to more effectively linking policy, planning and budgeting. The specific instruments, generically referred to as Medium Term Expenditure Frameworks or MTEFs, are becoming important elements of the latest approaches to budget management and, increasingly, of the new ‘comprehensive’ approach to international development. The appeal of MTEFs lies in their potential to link the often competing short term imperatives of macroeconomic stabilisation with the medium and longer term demands on the budget to contribute to improved policy making and planning, and to the efficiency and effectiveness of service delivery. An effective MTEF will discipline decision-making and enforcement in support of all three of these objectives. This medium term perspective and focus on the disciplining role of an MTEF is why it is seen as one of the keys to effective poverty reduction strategies (PRSPs) and achievement of the Millennium Development Goals (MDGs). There is also a growing recognition that the effective application of donor programmatic financing through MTEFs will be crucial if national PRSs are to deliver meaningful results. This report is a review of a country experience in the light of this ambitious agenda.

The report is a synthesis of findings from eight country case studies from across Africa and one from Albania reviewing experience with the implementation of MTEFs and the links being made to national poverty reduction strategies (PRSPs). The case studies were conducted between June and October 2002 with the financial assistance of DFID and the EC. Consultants carrying out the case studies followed a common checklist of questions (Annex 1) covering the main features of MTEF functioning, organisational and institutional integration and links with the PRSP (PRSP) and other strategic planning processes. The checklist provided a common format for comparing experience across countries and forms the basis of this Synthesis Report. It did not seek to obtain information on the underlying political economy of the case countries. Clearly this does have crucial implications for the success or otherwise of an MTEF and the issue is touched on briefing in the section on general lessons and trends.

2. Conceptual Framework

A key distinguishing feature of an MTEF is the integration of policy, planning and budgeting within a medium term perspective. An MTEF typically consists of a top-down resource envelope consistent with macroeconomic stability and broad policy priorities and a bottom-up estimate of the current and medium term cost of existing national programmes and activities and an iterative process of decision-making that reconciles these costs with available resources. The theoretical literature on budget management together with recent OECD experience helps us identify some of the main characteristics of a fully functioning MTEF:

- Policy proposals are considered in a medium to long-term context
- Policy decisions reflect what is affordable and implementable over the medium to longer term

---

1 MTEF is the term used in this study to encompass a shift from a traditional annual focus to the budget to a more medium term perspective. There are other terms that could equally well be used, such as medium term budget framework. Note, the term medium term fiscal framework is not usually synonymous with MTEF as it tends to cover only the aggregates.

2 The 8 African cases were commissioned for this study by DFID (5) and the EC (3). None of the views expressed in any of the case studies or this synthesis report are to be attributed to either institution. The Albanian case was prepared by Alma Kanani of the World Bank. The Bank has generously agreed to the inclusion of the Albanian case in this study. The case study does not represent official World Bank policy.

3 The term Poverty Reduction Strategy Paper (PRSP) encapsulates the commitment of the international donor community, led by the World Bank and IMF, to fight poverty in the developing world. PRSP is used to refer generically to the national strategies for poverty reduction that are emerging out of this process.
• There are forward estimates of the costs of existing policies, programmes and activities over the medium term
• There is a clear and reliable statement of fiscal policy objectives or targets, the fiscal deficit and debt levels based on medium term projections (or the IMF’s medium term fiscal framework)
• A political process exists at the centre of government that forces policy priorities to be established within an overall resource constraint (e.g. between defence, education and health)
• Policy and funding are more predictable over the medium term
• Policy priorities drive funding, not the other way round
• There exists an annual budget, framed in a medium term context, reflecting what is affordable over the short term
• There is a clear relationship between forward estimates of expenditure and the annual budget
• There are transparent rules for any reallocation of resources (both during budget formulation and execution)
• Mechanisms exist to minimise the impact of adverse shocks (and responses to them) on service delivery and spending priorities over the medium term
• The process is results focused

It needs to be emphasised that most of these characteristics are not exclusive to a well functioning MTEF. They are characteristics of a well functioning PEM system and, more broadly, a well functioning public sector. However, the cases indicate that the successful introduction of an MTEF can force greater attention on the full range of factors that determine the quality of a country’s PEM system.

2.1 MTEF-PRSP linkages

Figure 1 illustrates how the MTEF and PRSP cycles, together with donor support, are conceptually related. The figure shows only the general relationships between the two cycles, it does not identify all the constituent elements of each cycle such as key points of political involvement in the decision making process.4

The emergence of the PRSP approach in the late 1990s has given a further boost to the case for a more medium term perspective to budgeting in many developing countries. The emerging view is that the PRSP (and related sector strategies) provide the roadmap for policy priorities while the MTEF provides the discipline within which explicit policy choices and tradeoffs are made. At a minimum, MTEFs provide the link between ambitious poverty reduction targets and the annual budget priorities of government, linking what is desirable with what is affordable and most likely to deliver results. The international community is increasingly pointing to the need for MTEFs, and improvements in budget management more generally, to support PRSP implementation. This vision also includes increased integration of donor funding cycles with the MTEF/budget cycle and an increasing share of donor funds disbursed through joint budget support mechanisms (SPA 2002). The country studies highlight some of the progress already made in implementing this vision in some countries but also how far donor behaviour and practices still have to change to support the principles of both the MTEF and PRSP.

4 The timing of confirmed donor commitments appears relatively late in this illustration.
3. General Lessons and Trends

The case studies indicate that MTEFs are progressing in all countries, albeit at varying speeds, and that in many cases they have both facilitated, and are being strengthened by, the current emphasis on implementing PRSPs. Many factors underpin the progress made, including the underlying political economy of the country. The case studies suggest that in countries where officials, particularly in the Ministry of Finance recognise the potential of a more medium term perspective to budgeting and are persistent in their advice to this effect at the political level, the prospects for the institutionalisation of improved budgetary systems, processes and outcomes are greatly enhanced.\(^6\) Equally, where conducive conditions are not in place at the political level, the pace and nature of MTEF implementation can be very different.\(^7\) Political economy has to be recognised, therefore, and reform efforts need to work it. The more inimical it is to good budgetary outcomes, the more important it is that there are domestic champions about to argue its case.\(^8\)

The MTEFs range from the pilot stage in Cameroon to the almost fully institutionalised in South Africa. They are also, in most countries, being introduced as one element of a wider package of public expenditure reforms. While the case studies are generally optimistic about the prospects for


\(^6\) See footnote 12.

\(^7\) In both Albania and Rwanda MTEF implementation has taken a big step backwards since the case studies were prepared (see Box ).

\(^8\) The introduction of the Australian version of an MTEF in the mid 1990s flowed from a purely political decision of a new government to publish previously unpublished forward estimates so as to justify why it could not deliver on its election commitments. Its institutionalisation happened over a number of years as the government gradually realised that there were benefits, politically and in terms of the budget process and performance, from adopting a more medium term perspective.
greater MTEF-PRSP integration, they also confirm the cautionary tone of the World Bank comprehensive review of PRSPs which noted that ‘In many countries, the practice of public expenditure management is an obstacle to achievement of poverty reduction objectives’ (World Bank 2001). One of the encouraging developments highlighted in a number of country studies is the extent to which MTEF implementation appears to be a driver of broader-based reform.

In terms of MTEF development the case study countries can be broadly categorised as follows:

**Maturing** – South Africa, Uganda,
**Getting it together** – Albania, Benin, Rwanda, Tanzania
**Struggling** – Burkina Faso, Cameroon, Ghana

The categories are based on a qualitative assessment of case study material; there is no hidden quantitative scale. Each category indicates the direction rather than level of MTEF development to date.

The *maturing* category includes the two countries that have gone the furthest in institutionalising MTEF principles into their public financial management systems – South Africa and Uganda. In each case the MTEF has become the basis of annual budget preparations and the mechanism for disclosing resource and expenditure projections to the legislature. Uganda has also forged a close link between the MTEF and the Poverty Eradication Action Plan (the basis for Uganda’s PRSP).

The *getting it together* category includes three countries – Albania, Tanzania and Rwanda – where progress in a relatively short period of time has been impressive but where there is still a way to go in institutionalising MTEF principles and values into the system for public expenditure management. Noteworthy is the relatively rapid evolution of the MTEF into the focus point for broader budgetary reform. Also noteworthy are the fairly strong links developing between the MTEF and the PRSP although, as discussed further on, the circumstances in Tanzania and Rwanda do present some major challenges for MTEF and PRSP implementation. In the case of Albania, the introduction of an MTEF was seen as a logical step after the beginning of financial management reforms during the 1990s with the second wave of reforms coinciding with the introduction of the Albanian PRSP – National Strategy for Socio-economic Development (NSSED). Although Albania’s MTEF is the most recent of the group there is already evidence of significant progress including direct political engagement in the process and the early development of a distinct strategic phase to budget formulation. The fourth country, Benin, is interesting because it is in the process of making substantial structural change in budgeting. The fact that the MTEF and PRSP were introduced together may work to Benin’s advantage (as in Rwanda). It also appears that programme budgeting in Benin may have a greater impact than in other francophone cases because of its focus on supporting performance at the sectoral level. Although progress has been impressive in these countries, since the case studies were prepared, progress has show signs of stalling in both Rwanda and Albania. Box 1 gives an update on the most recent challenges facing the MTEF in Rwanda.
The struggling category includes two countries in the early and largely pilot stage of implementation – Burkina Faso and Cameroon – and a third, Ghana, which is in the fourth year of government-wide implementation. The current uncertainties around the MTEF (and to some extent the PRSP) in Ghana are a reminder that longevity and an impressive first year of implementation are no guarantee of maturing. In Burkina Faso, gradual progress has been made in bringing expenditures more in line with objectives (Burkina is also considered to have one of the stronger PFM systems in the region), but the constant readjustment of budgetary ceilings together with the lack of integration between the ongoing programme budgeting exercise and the MTEF has considerably limited the impact of the MTEF to date.

The struggling group of countries reminds us that an MTEF is not a magic bullet. It will not make a dysfunctional system function more effectively overnight. And it will only improve things over the medium term if it is accompanied by attention to the full range of public sector practices.

Some of the general lessons emerging from the country studies are:

- Initial conditions matter. Having the budget basics in place (e.g., fiscal stability, control of expenditure during budget execution, timely and reliable financial information) facilitates implementation of an MTEF, but there is also some evidence that implementation of an MTEF can provide an impetus to the building of the basics (Uganda, Albania, Cameroon).
- Integration of the various phases of the budget cycle, including the MTEF, and of the budget and other key processes, including the PRSP, distinguishes countries in the maturing category. A distinctive feature has been the engagement of donors with the country’s cycle (even if less progress has been made with integrating donor funding into the budget framework).
- Early attention to fiscal stability and sustainability is critical to underpinning funding predictability, which is also dependent on honesty and realism in projecting the aggregates.

Box 1: Rwandan MTEF update

While the foundations have been laid, with high levels of awareness of the MTEF and the establishment of new budget procedures and links between the various phases clearly set out on paper, the 2002/3 budget cycle has shown much less progress than anticipated in meeting the challenges identified during the case study. The anticipated linkages to the PRS, policy and prioritisation, implementation of successful cash planning, strengthening of the development budget database (and integration of the recurrent and development budgets) and improved predictability of donor support have yet to materialise. This is mainly due to prolonged negotiation and re-negotiation of the PRGF programme, delays in strengthening the development budget, and ongoing capacity constraints within the planning/budgetary system.

There is a risk that progress in Rwanda will be reversed unless a stable macroeconomic framework – the foundation stone of MTEF reform - can be established. This would in turn strengthen the finance ministry’s ability to produce consistent cash plans and help to prevent the ongoing erosion of credibility in the budget process.

The changes in Rwanda over the last year seem to emphasise:
- the importance of initial conditions and building budget basics
- the dangers of failing to manage expectations
- the impact of continued lack of comprehensiveness
- the effects of failing to ensure top down ceilings are maintained

Source: Personal Communication, Karin Christiansen ODI.
• Central to the MTEFs relevance is the degree of political engagement in the country’s strategic decision making processes and the extent to which associated planning and is informed and disciplined by budget realities. There needs to be a clear recognition that the budget is a political process by involving Cabinet (including through a sub-committee) at the outset of the budget formulation process (South Africa, Uganda, Albania).

• Providing space for a strategic phase to budget preparation and separating it from the detailed preparation and consideration of the budget estimates is at the heart of MTEF implementation. The concept of a Budget Policy Statement employed by the maturing countries to support this phase appears to have played a very significant role in engaging the stakeholders.

• Engaging sectors/line ministries/budget agencies in strategic management and clearly distinguishing between the resource allocation choices that are made collectively at the centre (Cabinet, Committee of Ministers) and ministers individually is an area where significant progress is being made. The establishment of Sector Working Groups to support sector strategic management has been a powerful innovation coming out of Africa.

• There’s a need to sequence a performance focus. It is important not to swamp the centre with performance information. An emerging lesson, which is also backed up by OECD experience, is that performance information is primarily a management tool at the sector and organisational level. As PRSPs mature this will be a particularly important lesson, as internal and external demand for performance indicators to track PRSP implementation increases.

Before introducing the country evidence it is worth noting some issues that have not been adequately resolved by the case studies. The most important of these are: the relationship between performance-based budgeting and MTEF development; the phasing and sequencing of MTEF development in a decentralising system; and the relative importance of flexibility over programme allocations during budget preparation and over administrative resources during execution. The challenges these issues raise are discussed at the end of the report.

4. MTEF Structure and Coverage

4.1 Reasons for introducing an MTEF

Table 1 summarises why, when and at whose behest the various study countries introduced an MTEF. The table also includes the budget year to which the MTEF first applied.

Table 1: Timing and objectives of country MTEFs

<table>
<thead>
<tr>
<th>Country</th>
<th>Budget Year Commenced</th>
<th>Reason</th>
<th>Main Advocates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>2001</td>
<td>To provide a realistic macro framework for the GPRSP and a mechanism to translate policy priorities (from the GPRSP) into budgetary policy and actions.</td>
<td>MoF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>World Bank</td>
</tr>
<tr>
<td>Benin</td>
<td>2001</td>
<td>To expose the strategies developed in the PRSP to macroeconomic realities.</td>
<td>World Bank</td>
</tr>
<tr>
<td>Burkina</td>
<td>2001</td>
<td>To provide a macro and financial framework to improve the credibility of programme budgeting.</td>
<td>IMF</td>
</tr>
<tr>
<td>Faso</td>
<td></td>
<td>To support execution of medium and long term policy objectives, especially those derived from the PRSP and to provide a macro framework and attach budget allocations to the PRSP process.</td>
<td>Ministry of Planning</td>
</tr>
<tr>
<td>Cameroon</td>
<td>2001</td>
<td></td>
<td>World Bank</td>
</tr>
<tr>
<td>Ghana</td>
<td>1999</td>
<td>To improve budget formulation.</td>
<td>MoF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>World Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>DFID</td>
</tr>
<tr>
<td>Country</td>
<td>Budget Year Commenced</td>
<td>Reason</td>
<td>Main Advocates</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------</td>
<td>------------------------------------------------------------------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Rwanda</td>
<td>2000</td>
<td>To facilitate a massive reallocation of resources between and within sectors.</td>
<td>World Bank, DFID, MoF</td>
</tr>
<tr>
<td>South Africa</td>
<td>1998/99</td>
<td>Part of broad based reform to deliver results to citizens, building on the medium term macro strategy begun in 1996.</td>
<td>MoF, (World Bank)</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1999/2000</td>
<td>To provide a strategic framework for the annual budget; strengthen links between sector policies and resource allocation; to feed analysis of budgetary performance back into budget planning.</td>
<td>World Bank, MoF</td>
</tr>
</tbody>
</table>

**When**

Most of the MTEFs covered by the study are still relatively new, with the exception of Uganda, and perhaps Ghana and South Africa. Not surprisingly, the most recent MTEFs are not yet fully institutionalised and have yet to show any significant impact. Even the Albanian MTEF, which has made rapid progress over a short period, has some distance to go before being fully institutionalised. This underscores the importance of focusing on the direction as much as the level of MTEF development as the most important indicator of progress.

**Why**

Macro and resource allocation concerns, and in more recent MTEFs, support for the PRSP are the main reasons cited for introducing an MTEF. In Uganda the initial MTEF exercise was a direct response to the deterioration of macro-fiscal performance and the inability of the Government to meet its counterpart funding commitments on donor financed projects. Later the MTEF took on the role of facilitating shifts in sectoral allocations, particularly to pro-poor sectors. With fiscal stability more or less achieved in Tanzania, key concerns in introducing the MTEF were bringing about improvements in budget formulation and strengthening the links between sector policies and allocations. Supporting major shifts in resources was a major reason for introducing the MTEF in Rwanda. In Benin and Albania, key objectives were to provide a mechanism for translating policy priorities identified in the PRSP into budgetary policy and actions while also providing a realistic macro-fiscal framework within which to develop the PRSP.

**Who**

In Rwanda and Tanzania, World Bank led public expenditure review (PER) processes played an important role in identifying a need for a more medium term approach to budgeting and subsequently in supporting its evolution. In these countries, and in Uganda, the integration of the PER process with the MTEF/budget process seems to have been a powerful influence on opening up the budget process generally and in requiring donors to be disciplined by the (country’s) budget process. World Bank/IMF involvement was also significant in the introduction of a medium term approach in Burkina Faso and Benin. In the case of Cameroon, the MTEF has been an almost exclusively donor-driven agenda.<sup>10</sup> Uganda and South Africa are the only two cases where MTEFs were initiated independently of any donor-led operation. In Uganda, despite the proliferation of

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<sup>9</sup> Although work on a more medium term fiscal framework began in 1992, 1994 is regarded as the first year of the MTEF (see E. Tumusiime-Mutebile ‘Opening the Budget to Stakeholders: Use of MTEF/PER Process as a Catalyst for Enhanced Accountability ’ 2 November, 1998).

<sup>10</sup> Introducing an MTEF is mentioned as one of the conditions of the PRGF in Benin.
donors and aid programmes, the Ministry of Finance, Planning and Economic Development (MoFPED) has continued to exercise strong leadership over the process and its subsequent evolution. The fact that, from an early stage, the MTEF was used as an umbrella into which other World Bank and donor-supported PEM initiatives were incorporated was clearly significant in this regard.

4.2 Comprehensiveness

The shift to more strategic and policy oriented budgeting associated with an MTEF demands comprehensive coverage of fiscal activities. Table 2 provides an overview of the extent of coverage achieved by the different countries across central, local and donor financed activities.

Table 2: MTEF coverage

<table>
<thead>
<tr>
<th>Country</th>
<th>Central Revenues/Expenditures</th>
<th>Local Govt. Revenues/Expenditures</th>
<th>External Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>All, with 5 ‘PRSP’ sectors getting more detailed attention at this stage</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Benin</td>
<td>All</td>
<td>No</td>
<td>Some but not all</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>All line ministries, priority as well as non-priority.</td>
<td>No</td>
<td>Some but not most</td>
</tr>
<tr>
<td>Cameroon</td>
<td>Two pilot sectors – education and health</td>
<td>No</td>
<td>Yes (for the pilot sectors)</td>
</tr>
<tr>
<td>Ghana</td>
<td>All line ministries, although the education trust fund is outside the MTEF</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Rwanda</td>
<td>An attempt is made to include all expenditure funded by domestic revenue</td>
<td>No</td>
<td>Donor-funded projects still not fully accounted for</td>
</tr>
<tr>
<td>South Africa</td>
<td>All</td>
<td>National and Provincial revenue &amp; expenditure covered by the MTEF. MTEFs at local government level being piloted.</td>
<td>Yes</td>
</tr>
<tr>
<td>Tanzania</td>
<td>All</td>
<td>No</td>
<td>Externally financed project activities included, with some difficulty, for first time in 2002 MTEF. All</td>
</tr>
<tr>
<td>Uganda</td>
<td>All line ministries, priority as well as non-priority, although donor financed investment detailed outside the MTEF</td>
<td>Local government expenditures included in the Budget Framework Paper (85% of revenue comes from central government &amp; this is covered by the central government MTEF)</td>
<td>All</td>
</tr>
</tbody>
</table>

Most of the MTEFs attempt to cover all expenditures funded by domestic revenue. In the case of Cameroon coverage is limited to just two sectors, while in South Africa the central government MTEF also incorporates the activities of provincial government, reflecting its cooperative approach to governance. Coverage of donor-financed activities is particularly variable. The importance of incorporating donor financed activities within the budget framework and subjecting those activities to the test of consistency with sectoral priorities and strategies cannot be overstated. The magnitudes involved are highlighted in the Tanzanian case where efforts to increase coverage of external funding in the 2002 MTEF increased total revenue by over one third!
Factors affecting comprehensiveness

The country studies suggest that the MTEF is bringing the issue of coverage into sharper focus and broadening the debate to include not only concerns as to whether expenditure is on or off-budget (extra budgetary funds, quasi fiscal activities, guarantees) but also whether expenditure is being subject to the discipline of resource realities and priorities even when it is on-budget. In Ghana, for example, the Educational Trust Fund, which accounts for 20% of education expenditure by central government, is completely outside the MTEF. In Cameroon, almost half of the massive contribution of the World Bank to a multi-sectoral AIDS project allocated direct to local communities will not appear in the Ministry of Health budget. While in Rwanda, priority given to statutory and exceptional expenditures (such as demobilisation and grassroots courts), risk easing the pressure on these areas to be efficient and effective in their resource use. The same is true in Albania where a sharp increase in funding for a particular priority area under the PRSP and MTEF (in this case health) simply eased the pressure for increased efficiency and effectiveness. The chronically weak management in the sector meant that these resources were largely wasted.

Country evidence also indicates that separate budget and planning agencies can undermine a comprehensive approach to budget making, although there are some examples of institutional arrangements that mitigate these effects. Ghana illustrates the problem clearly, with a separate and relatively weak planning agency undermining the strategic focus of the MTEF and now the integration of the PRSP and the MTEF. The Cameroon case study notes that budget separation ‘hinders the establishment of a functional classification’ (2002d). The Albanian study states that integration of recurrent and capital expenditure has been limited in part because of ‘the continued separation of responsibilities between the MoF and the Ministry of Economic Cooperation and Trade for preparation of the recurrent and investment components of the annual budget’ (2002a). However, Albania also points to how effective overlapping institutional mechanisms at the political and bureaucratic level can mitigate the risks of separate agencies – the Prime Minister chairs the steering committees for both the MTEF and PRSP (in fact the steering committee for the latter is simply an expanded version of the former), the supporting Working Group includes Deputy Ministers from 10 ministries and Sector Technical Working Groups in the same 10 ministries are responsible for elaborating the sector issues as they relate to poverty reduction and budget strategy. Benin has also moved to integrate the recurrent and investment budgets at the centre but they continue to be separated at the line ministry level. Benin has made the Development Ministry responsible for the PRSP and the MTEF, on the grounds that the MTEF is meant to confront the PRSP with the macroeconomic framework, while the budget is the responsibility of Finance. The study suggests that, despite this separation, ‘on the surface the MTEF and budget appear to be more integrated than in most African countries’ (2002b), with a working group involving the relevant organisations facilitating integration.

A more comprehensive approach in Uganda is arguably partly due to the effective integration of Finance and Planning. The significance here is that the planning perspective places a little more emphasis on resource allocation and use relative to the macro than do most traditional Ministries of Finance (in fact too many MoFs have an almost exclusive concern for the macro). There is also some evidence that where the PRSP is being coordinated by an integrated budget agency it is being linked with other processes and systems of government, particularly the budget, more effectively (Uganda, Rwanda).

A key feature of comprehensiveness is that it increases capacity to reallocate resources and achieve the best mix of inputs, at both the centre and at the sector/ organisational level. One of the striking findings is that the approach to ceiling setting in all the country cases, except for South Africa, tends to undermine this important dimension of comprehensiveness. Uganda’s approach reflects a mid-way position with an aggregate ceiling being broken down by organisation and by major.
economic type category and, in the case of local government, conditional grants by sub-functional programme. Most of the other cases have significantly less flexibility, as is illustrated by Tanzania (Box 2). This inflexibility will test Government’s commitment to a more strategic approach to decision making at the sector level. Albania illustrates, however, that there is a need to move progressively to increase flexibility and not to provide it all at once. Because of the limited management capacity at sector level, the sector wide ceilings given in the first MTEF were not helpful for budgeting. In subsequent MTEFs ceilings have been broken down by Ministry with a further breakdown between the anticipated wage and non-wage components.

Box 2: Tanzania’s MTEF ceilings

- A breakdown of expenditure totals to major economic categories. For recurrent expenditure this separately identifies interest payments, wages/salaries, the Road Fund, special expenditures, Consolidated Fund Services, transfers to Tanzanian Revenue Authority, retention schemes, election costs and other charges. Development expenditures are broken down between local and foreign financed.
- Sectoral allocations for other charges and domestically financed development that show the proposed allocation between ministries/departments, regions and local government (these exclude wage and salary components and externally financed development expenditure).
- Ceilings for recurrent expenditure and domestic development expenditure for individual ministries/departments, regions, district councils and urban councils.
- A more detailed breakdown for PRSP/MTEF priority sectors showing for each major activity the required funding and the proposed resource allocation.

Experience is clearly variable to date, but the country studies do indicate a desire to use the MTEF to open up choice across the full range of fiscal activities of government. Those that have moved furthest (South Africa, Uganda, Albania) include the full range of fiscal activities irrespective of their source of funding. Others are making significant progress (Tanzania, Rwanda, Benin). A continuing challenge is getting donor-financed expenditures on-budget and, more specifically, subject to the scrutiny and discipline of the MTEF, while effective institutional arrangements at the political and bureaucratic level can mitigate the risks of separate agencies in undermining budget comprehensiveness. The fact that externally financed projects, once committed, often tie up resources for a number of years reinforces the importance of such proposed projects competing for priority within the MTEF.

4.3 Treatment of estimates

Out-year estimates

One of the defining characteristics of an MTEF is that it includes estimates beyond the budget year. Experience in the OECD ranges from out-years being treated as forward estimates of the future cost of existing policies (that are rolled over into the budget if policy does not change) to being more akin to a forward budget.

Amongst the country studies, South Africa comes nearest to these practices with its concept of the out-years as a baseline. The other country studies suggest that the out-years represent, at best, some form of indicative allocation. In South Africa, precision in the out-years in the early days of implementation was considered to be much less important than changing attitudes, but improving their reliability year by year has been crucial to the effectiveness of the MTEF (and to embedding a change in attitude). This perspective also explains why most out-year estimates are generally less detailed than the annual estimates, although in Tanzania the forward budget submissions are
considerably more detailed than the budget estimate. The cases suggest that excessive detail in the out-years (and in the budget year) is likely to distract from the strategic policy focus of the MTEF (Ghana, Tanzania).

The early South African and Ugandan experience of employing the out-years as one input into the determination of annual budget ceilings is a pointer to the other countries. In Benin the out-years of the 2002-04 MTEF have already served as reference for setting the overall budget envelope and principal budgetary orientations. What is particularly encouraging in more recent experience is that the out-years are being given legitimacy by having the strategic MTEF/PRSP process constructed around them.

Classification

Different expenditure classifications are needed at different phases in the budgetary cycle – from formulation to execution and audit. The PRSP is focusing attention on the importance of classifications that support a performance orientation, notably the functional and programmatic. The country studies identify inadequacies in functional and sub-functional classification as a real hindrance to a greater performance focus. The emphasis on the economic type classification (such as wages and salaries) has clearly been damaging to attempts to shift the focus to policy and operational performance issues.

Different aggregations of the functional classification are employed in Ghana (administration, economic services, infrastructure, social services, public safety) and Rwanda to support a focus on priorities and there are signs that the functional is playing an increasing role in supporting a strategic and policy based approach to budget preparation in a number of countries (Tanzania, Uganda). Table 3 on the budget and MTEF structure in Rwanda illustrates a coherent nesting of structures but their multiplicity is a reminder that the role of each must be clear, particularly as to which decisions in the decision making chain they support.

Table 3: Rwanda budget and MTEF structure

| Broad functional groupings – governance and sovereignty; production and environment, infrastructure, human and social development; |  |
| Sectors (14 – e.g., health); |  |
| Votes (18 – ministries, e.g., ministry of health); |  |
| Programmes (numerous – e.g., basic health service); |  |
| Sub-programmes (numerous – e.g., public hygiene); |  |
| Activities (numerous – e.g., purchase and use of insecticides) |  |
| Economic classification (e.g., wages and salaries) |  |

11 For each sector (MDA) the forward budget projects expenditure forward by sub-vote (department), broken down by objective, service target, required input and unit cost and estimate. The budget estimates are by vote (MDA), subvote and item.
Structure of budget estimates

Classification of budget estimates - for appropriation purposes (traditionally line item) and in support of the appropriations (usually more programmatic) - emerges as the most problematic from the country studies. This reflects questions about the extent to which budget appropriations should be programmatic or output based. There is also the undermining of more performance oriented structures by inconsistent practices. In relation to the latter, it is interesting to note that in the case of Burkina Faso the motivation for introducing an MTEF was to provide a framework for the country’s programme budgeting system, yet programme budgets appear to play no role in budget preparation, are not the basis of the estimates submitted to Parliament and, in fact, are not provided to the Parliament. At best, there appears to be a sequencing problem here. In other cases, the MTEF has been associated with a quite radical restructuring of the budget estimates. Ghana is a case in point, although Tanzania has a similar system. Estimates are now structured around outputs, with expenditure classified into personal emoluments, administrative expenses, service expenses and investment. Current and investment expenditure are linked by output in a unified budget system and most sources of financing, including from donors, are identified. But Ghana also illustrates the real world problem that changing structures is often necessary but it is rarely sufficient. After 4 years, personnel expenditure and administrative expenses have not in reality been linked to their outputs and continue to be controlled at a higher level with no concern for the associated outputs.

5. Experiences with Implementation

Section Three referred to a number of general lessons regarding effective MTEF implementation. This section returns to these lessons and to the country evidence that supports them.

5.1 Initial conditions matter

Debate about whether or not to have the budget basics in place before embarking on an MTEF is one of the more contentious issues in the literature.12 The Albanian case certainly suggests that paying attention to the basics over the 1990s greatly facilitated the smooth transition to an MTEF in early 2000/1. The country study notes specifically that basics such as a revised legal framework, improved fiscal management capacities, improved budget preparation procedures (including a move toward a more comprehensive budget) and a functioning treasury system had contributed to a budget system that controlled and monitored revenues, expenditure aggregates, and the fiscal deficit. IMF programmes were also important factors in supporting progress on the macro-fiscal front. In Albania, the MTEF, with its greater concern for the allocation and use of resources, was seen as a logical next step, as it has been in so many OECD countries. The Tanzania case also illustrates how a mix of initial conditions facilitated MTEF implementation (Box 3). Some of these related to budget basics, such as fiscal control, while others related to necessary conditions for budget reform to succeed, such as strong leadership from the Ministry of Finance. Experience also indicates that prior experience with medium term approaches, whether they were regarded as successful or not (South Africa, Tanzania, Albania), have contributed to subsequent MTEF implementation.

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Box 3: Initial conditions matter

The Tanzania case study illustrates well the importance of certain initial conditions in explaining current progress with the MTEF. These are:

- Strong leadership from the Ministry of Finance
- Progress already made with macroeconomic and fiscal stabilisation
- Previous attempts at medium term expenditure planning, in particular the three year Rolling Plan and Forward Budget which, although of very limited impact, did contribute significantly to the starting point from which the MTEF was introduced
- Consolidation of budget responsibility, in particular transfer of responsibility for the development budget to Ministry of Finance
- Development of an integrated financial management system concurrently with MTEF reforms
- Stakeholder involvement built around the Public Expenditure Review process

The case of Tanzania also shows how the MTEF process can be a catalyst for building the budget basics, in this case through the concurrent development of an Integrated Financial Management System designed to strengthen budget execution and accountability at the same time as improvements in budget planning. This is further supported by the experience of Uganda, and to a lesser extent South Africa, where the introduction of an MTEF proved to be a catalyst for the building of the budget basics and increasing internal demands for greater budget comprehensiveness. In Uganda, a medium term perspective was initially seen as an important component of achieving fiscal stability and sustainability. The next phase, which became more explicitly associated with the MTEF, focused on improving the allocation of resources to priorities. Only now is attention being seriously given to the link from the MTEF to operational performance. This has occurred over a period of 10 years and is a sequence that South Africa has followed over a somewhat shorter period. A particular strength of the approach in these two countries is that they built the institutional arrangements to support each phase as they went along.13 There are, however some caveats in order for Uganda. Some of the basics, most notably the treasury system, have still not been built and it is arguable that earlier attention to operational performance would have spurred efforts to build the basics more rapidly. This, in turn, might have facilitated a smoother transition to a more performance-oriented budgeting system than has so far occurred.

What happens when the initial conditions are weak?

In the absence of the basics, a question frequently raised is whether a pilot approach is the best way to sequence implementation. On balance the evidence from the country studies is that to be successful the introduction of an MTEF has to be a whole of government commitment, initially to an aggregate resource constraint but quickly to a set of overall budget priorities. However, a more medium term focus to linking priorities to resources at the sector level can be piloted (just as the linking of resources to performance (indicators) can also be piloted).14 Cameroon, which is at a very early stage of implementation has chosen to pilot medium term financial planning in two sectors but is working, at the same time, on a medium term fiscal framework. Albania, with its clear whole of government approach is focusing on five main sectors that account for nearly two thirds of total public expenditure. The main message is that a whole of government approach is critical but it does not imply that all sectors or all aspects of performance will be at the same level or progress at the same pace. For example in Benin, where five pilot ministries had prepared programme budgets in 2000, the introduction of the MTEF in 2001 meant that all ministries were asked to express their

13 An earlier Ugandan case study by Charles Byaruhanga pointed to the strong technocratic attention to the macro framework. Far more telling in the context of institutionalising fiscal discipline was the fact that over a year, via the Presidential Council, technocrats successfully argued the case for fiscal discipline and macroeconomic stability to senior politicians, including the President.

14 See the later discussion on performance.
demand for resources in a basic programme budget format. However, without the support that the pilot ministries had received, non-pilot ministries submitted demands that made little sense given available resources. Uneven progress across ministries now needs to be addressed as Benin seeks greater integration of programme budgeting and its MTEF. This highlights a more general point, that MTEF design must take full account of the state of the basic public expenditure management system – the weaker the basics the less onerous MTEF design should be and the longer the expected implementation period.

Donor driven MTEF development has led in some instances to the ‘projectisation’ of reform. This involves ‘stand alone’ projects designed to implement specific components of budget reform or the imposition of donor conditions specifying certain reforms (including introduction of an MTEF) that need to be undertaken before donor funds are disbursed. The Ghana case in particular suggests that, despite the many commendable aspects of its MTEF introduction, the projectisation of reform has created major problems for integration – of the MTEF/budget and policy making/planning; of politicians and resource allocation decisions; of the MTEF and the day-to-day work of Finance and Planning officials; and of the budget preparation and budget execution phases (and, now, the MTEF and PRSP). Integration is the subject of the following section. Although few of the country studies refer directly to the effects of donor conditionality, evidence in other countries implementing MTEFs is that donor conditionality is not a good basis for introducing an MTEF (as opposed to conditionality being used to reinforce and support a decision already made by the country).

5.2 An integrative process

Evidence from the country studies strongly supports the recommendation made in the recent World Bank paper on MTEFs (2002) that the MTEF be actively managed as an integrative process. In fact, it is arguable that the single most significant factor distinguishing the maturing case countries from the others is the extent to which the former are developing an integrated process – notably across policy, planning and budgeting; stakeholder involvement; and through the entire budget cycle. That even these maturing countries have some distance to travel is noted here, but they are certainly moving in the right direction.

Albania provides an interesting example of ‘bolting on’ an MTEF process to the annual budget process, to the point where the MTEF process finishes with the presentation of the MTEF to Parliament while at the same time providing the framework for the finalisation of the annual budget (Figure 2).15 The key point is that this is, or is intended to be, a relatively seamless process, with strategic decisions being made at the outset on the aggregates and policy issues leading ultimately to the specific annual allocations in the budget submitted to Parliament. The integrated nature of the process is highlighted by the relative ease with which the PRSP (NSSED) and MTEF have been brought together and the attention to cross cutting issues that range from public administration reform to the decentralisation process. The integration of recurrent and development expenditure is also underway. On another dimension, integration is reflected in the involvement of civil society in the development of the sector expenditure strategies via the NSSED and in the presentation of the MTEF to donors. Weaknesses in the process persist, however, notably:

- The lack of clear prioritisation within sector expenditure programs
- The limited progress toward an integrated approach to the analysis and budgeting of recurrent and investment spending

15 The Uganda cycle (Annex 2) is remarkably similar to the Albanian cycle and is included as an Annex because it highlights the role of the Budget Framework Paper and Sector Working Groups, which are discussed in more detail below. It is also a useful, and positive, reminder that the individuals advising government do make a difference. At least one of the individuals advising the Albanian government was a key advisor in Uganda.
Figure 2: Albania MTEF and budget cycle

**Medium-Term Expenditure Framework**
- Policy based, outcome oriented.
- Strategic – multi-year, sectoral perspective, program focus.

**Preparation of the Annual Budget**
- Institution based.
- Operational – item focused within pre-determined resource ceilings.

**Parliament**
- Jan – Mar
- Apr – Jun
- Jul – Sep
- Oct – Dec

**Council of Ministers/Ec Policy Committee**
- Review by EPC
- MTEF Issues Paper and Timetable
- Identification of key MTEF “Issues”
- Preliminary macro/fiscal framework
- Projection of expected aid flows

**Ministry of Finance**
- MTEF Options Workshop
- Prepare macro/fiscal framework
- Analyse cross-cutting issues

**Line Ministries**
- Review on-going programs.
- Sector strategy statement covering objectives, activities and outcome indicators.
- Indicative 3-year resource ceilings for each program.
- Identification of likely requirements for external financing.

**Budget submitted to and approved by Parliament**
- Presentation of MTEF to donors at aid programming meeting
- Updating and revision of macro/fiscal framework and resource ceilings.
- Finalisation of draft Budget.
- Presentation of MTEF to donors at aid programming meeting
- Review of Budget submissions from line ministries and agencies.
- Review of Budget guidelines
- Finalisation of draft Budget.
- Presentation of MTEF to donors at aid programming meeting
- Review of Budget submissions from line ministries and agencies.
- Review of Budget guidelines
- Finalisation of draft Budget.

**MTEF Paper - strategic framework for Budget**
- Update macro/fiscal framework.
- Finalise: (i) analysis of key issues; (ii) sector strategies; and (iii) MTEF resource ceilings.

**MTEF Options Workshop**
- Preliminary sector resource ceilings
The limited extent to which line ministries took account of the MTEF/NSSED proposals in their initial budget submissions

- The limited extent to which the sector expenditure strategies identified budget outputs and monitorable indicators against which to monitor implementation.

What is particularly encouraging is that these weaknesses are recognised and are being addressed. In addition, the case study notes a number of telling positives associated with MTEF implementation:

- A much sharper focus to the preparation of the annual budget
- Opened the budget process to a broader constituency within government
- Provided a forum for systematically discussing cross-cutting policy issues and for disciplining prioritisation and costing of NSSED programmes
- Improved the chances of country ownership of the NSSED
- Created an opportunity for improving the classification of budget expenditure.

What the Albanian case, together with those of South Africa and Uganda, illustrates is the importance of the various actors understanding how their actions impact on the process and modifying their behaviour to support a more performance oriented public sector.

The South African cycle which is spelt out in considerable detail in the country study, is worth highlighting both because of the similarities with Albania and Uganda and because of its unique features. The common features include the seamless progression from the strategic to detailed budget allocations, the involvement of Cabinet at the key decision making points and the role of sector working groups in linking organisations into the central budgeting process. Integration has however gone further in South Africa, with its tightly overlapping institutional arrangements that link policy, planning and budgeting and engage the political level in decision-making. One aspect of this integration that is uniquely South African is the approach to intergovernmental relations. In South Africa’s system of cooperative governance there is no formal or practical division between the budget and MTEF processes of provincial and national government. These two processes are intricately woven together in one integrated process. This may not be appropriate elsewhere but it is worthy of study because of the comprehensive approach taken to integration. It is argued in a later section on MTEFs and intergovernmental relations that this is one of the outstanding areas requiring much more thought. South Africa is arguably the one country amongst all the case studies that has given adequate attention to this issue and, even here, local government was an afterthought.

**The importance of clear rules and a predictable budget process**

A timetable for budget preparation that allows sufficient time for a strategic phase and for preparation of the detailed estimates is a characteristic of the implementation of the MTEF in Albania, South Africa and Uganda. This reflects these countries’ efforts at integration but also their recognition of the importance of a predictable process. In the cases of Burkina Faso, Cameroon and Ghana the chopping and changing of their timetables have created uncertainty and undermined any strategic approach. In these latter countries the PRSP appears to be adding to timetabling difficulties. A predictable budget process provides evidence that Cabinet and MoF (and International Financial Institutions) are playing by the rules of the game, and in turn becomes a contributing factor to a credible budget. More generally, the curbing of generally arbitrary behaviour comes through from the cases as essential to improving budgetary outcomes. An example of an encouraging development here is that the budget timetable in Rwanda for 2003 established a timetable for consultations with the IMF prior to the formulation of the budget. This followed the experience with the 2002 budget where a revised budget had to be presented to the National
Assembly because the IMF would not support the original budget because of its deficit implications.

5.3 Fiscal stability and sustainability

Experience confirms that early attention to fiscal stability is crucial to the implementation of an MTEF (including in countries where the initial focus is on a more medium term perspective at the sector level). There are, of course, many reasons for pursuing fiscal stability, but for the MTEF and budget more generally it has much to do with improving funding predictability. The cases suggest that achieving this has more to do with honesty and realism in setting the aggregate resource constraint and a disciplined resource allocation process than anything else.

The aggregate resource constraint

Macro-economic modelling capacity is evolving in most case countries in line with them taking control of their budget. But this does not appear to be a crucial factor in determining whether or not an MTEF performs effectively. The South African, Ugandan and Tanzanian cases illustrate that the starting point for increased predictability in expenditure is greater honesty/realism in the first stage of the budget cycle - the preparation of the aggregate estimates. Other cases, notably Burkina Faso, Cameroon and Ghana highlight the negative impacts on predictability of unrealistic aggregate projections. In Burkina Faso, in particular, revenue overestimations are a constant feature. This has been compounded in the PRSP where growth estimates of 7 to 8 per cent between 2000 and 2002 significantly overestimated tax revenues leading to serious shortfalls in actual expenditure. The country study notes that ‘there is a political incentive to overestimate revenue and thus the envelopes for the line ministries. It seems as if [the MoF] does not wish to face line ministries with realistic revenue figures’ (2002c). Problems in defining a realistic aggregate resource constraint stem in part from:

- Incentives to overstate revenue (often associated with incentives to overstate growth) and understate expenditure
- Overoptimistic assumptions about increased revenue from administrative reforms.
- Volatility of donor funding.

The reality for most study countries is that volatility on the revenue side largely comes from donor funding. This has multiple causes, as the cases highlight, but donors must place a much higher value on predictability of their funding flows (Box 4). This is even more important where donor assistance takes the form of budget support rather than project support. It is arguable that if project support does not arrive then it simply means that the project does not proceed.16 Erratic disbursement of budget support is potentially much more disruptive and will become increasingly so as countries respond to the encouragement of donors to become more strategic and comprehensive in their management at the sector level.

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Box 4: Rwanda, cash budgeting and predictability

Since the Rwanda case study was prepared there has been stalled progress on implementing the MTEF. Reasons include:

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16 This is a weak argument, of course, as it reflects the enclaving of projects
• As in many developing countries, there is intense pressure on fixed costs in recurrent spending. This has been increasing, which increases each year with the proliferation of new semi-autonomous bodies, quangos and institutions. These are partly created in response to donor demands and cause intense pressure on existing obligations.

• Weak budget execution is also resulting in un-foreseen mid-year expenditures and pressure on virements. There are still significant deviations from ceilings agreed in the Budget Framework Paper. Additional spending decisions are usually ad hoc and last minute and increases are often ‘captured’ by prestigious institutions, some of whom are protected by through the list of ‘exceptional expenditure’ which ring fences budget lines and removes them from the calculation of the primary deficit.

• These problems are reinforced by the cash budget system with the unpredictability and fluctuations in resource flows that follow. However the total absence of any cash budget planning or procedure for prioritising cash allocation is failing to mitigate any of these effects and has resulted in high levels of disillusionment in the MTEF by spending agencies who cannot predict when and how much resources they will receive and are increasingly giving.

• Predictability of external resource flows has always been problematic by deteriorated substantial in 2002. This is both in terms of level and timeliness including with the ‘delaying’ of all bilaterals and IFI flows between January and July 2002 during the IMF/GoR ‘discussions’ over size of the budget deficit. This deterioration whas partly been caused by problems around conditionality and poor communication between MINECOFIN and donors. Although the situation improved in 2003, there are signs that it could be deteriorating again.

• Little or no progress has been made on harmonisation between donors and alignment with GoR systems and procedures. This imposes heavy transactions cost being imposed on the government, with the EU as the worst culprit, and has reinforced the problems around predictability.

Source: K. Christiansen ODI

Responses to this dilemma include conservatism in the setting of aggregate ceilings and incorporation of revenue increases from administrative reform in the estimates only when they have emerged. The Uganda country study notes that the ‘MTEF adopts more conservative forecasts than the IMF’ (2002i). Growth assumptions are not being pared back but rather, for the purposes of budget making, a more conservative forecast is being employed. This means that the twin objectives of short-term fiscal stability and greater predictability to support both resource allocation and operational performance can be pursued simultaneously.17

A challenging development in the context of PRSPs is the growing use of fiscal scenarios. While apparently sensible in the context of donor concerns about poverty reduction, it is not clear that sufficient attention is being given to the uncertainty such scenarios may generate, particularly through at least a psychological softening of the budget constraint. Of particular concern is that this approach will undermine the nascent strategic focus emerging in many of the case countries. In the case of Benin, the MTEF has two scenarios, a restrictive one in line with the PRGF and an expansive one to reflect the costs of implementing the PRSP. In Rwanda, the PRSP has three scenarios: a restrictive one in line with the IMF agreement, a more expansionary one adding some RWF 50 billion to the base case, and an unconstrained one. These scenarios have a useful role to play, but more attention needs to be paid to ensuring that they do not undermine the move to a more strategic focus to management and decision-making. Hard (finite) budgets are a key to creating and sustaining this focus. An associated issue concerns the emerging debate around the extent to which the aggregate resource constraint should be expanded to accommodate additional aid (Box 5).

17 OECD experience points to the contribution that conservatism, even on economic growth, can make to realism in budgeting. The Dutch case is particularly instructive with two growth scenarios being produced – one which is the “best estimate” and another, more conservative, estimate for the purposes of budget making. The United Kingdom also follows a conservative line, as does Canada.
Box 5: The aggregate resource constraint, aid and the MTEF – Uganda

It is clear that there are difficult technical issues around the setting of the appropriate aggregate constraint, particularly in relation to aid. The Ugandan case highlights one more interesting issue, namely the extent to which the hard budget constraint, and related concerns about sustainability, should mean that sectors, even priority ones, cannot accept all the donor funding on offer. In April 2002, appearing before the Social Services Committee of Parliament, the Ugandan Minister of Health ‘expressed bitterness at the ministry of finance for refusing to access donor funds given in dollars’. There is some suggestion that this particular decision was driven more by the IMF than by MoPFED, but it does suggest that fiscal settings are becoming more contestable. These generally positive developments place even greater demands on countries and IFIs to get their sums right; to improve their understanding of the transmission effects (from macro policy settings to economic impact); and to take a more balanced approach across short-term macro impacts, longer term macro sustainability issues, policy priorities and implementation capacity.

5.4 Priority setting and allocating resources

While fiscal sustainability is a necessary condition for an MTEF to flourish, priority setting and resource allocation come through from the cases as where the MTEF has its most significant impact. South Africa, Uganda and Albania demonstrate that a disciplined resource allocation process that legitimises the policy choices made (implicitly or explicitly):

- broadens the credibility of resource ceilings beyond those concerned with the macro to encompass line ministers, budget agencies, parliaments and civil society.
- is essential to both policy and funding predictability.
- is necessary for the effective incorporation of the PRSP process into a government’s own processes (it is the most obvious point of intersection of the MTEF and PRSP).

**Top-down ceilings**

Translating the aggregate resource constraint into budgetary allocations is increasingly happening via top-down ceilings. One of the most telling lessons from experience in the case countries is that these ceilings are increasingly reflecting sector priorities as well as the aggregate constraint. Albania, South Africa and Uganda in particular highlight the contribution to improved budget outcomes of establishing at the outset of the MTEF/budget cycle a realistic, but hard, budget constraint which incorporates the aggregate constraint and sector priorities. The poverty focus (Uganda) and PRSPs (Albania, Rwanda, Burkina Faso, Cameroon) are clearly providing an impetus to injecting priorities into the determination of top-down ceilings. Box 4 below highlights various aspects of priority setting and resource allocation in the Francophone African countries included in the study.

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20 It is arguable that the forum in which the Minister contested this particular issue was inappropriate. With political engagement in budget policy coming through as a central feature of maturing MTEF’s (including in Uganda), the Minister for Health should have been engaged, and committed, at the outset of the MTEF process on the issue of the aggregate constraint.
Engaging early on with the political decision making process

Evident from the country studies is that if the budget does not engage the political process, then an MTEF is likely to cast a pale shadow on public sector performance. One of the most useful lessons emerging from the cases is the importance of engaging the political level collectively in strategic choices. It is this engagement that has begun to give substance to the MTEF process, and specifically to the credibility of expenditure ceilings. A close reading of the case studies makes it clear that much of the uncertainty in the resource constraint and the process is self-inflicted - by politicians unwilling to be constrained either by a hard budget constraint or by agreed priorities (or, at least as likely, by politicians who were not adequately engaged in resource allocation decisions). This does not mean that ceilings should be immutable once set at the outset of budget preparation. On the contrary, a central purpose of the budget preparation process is to ensure that resources are going to priorities and reflect information on what is working and what is not. Albania, South Africa and Uganda provide good examples of a process that has moved in this direction. Rwanda and Tanzania look as though this is the desired direction but Rwanda’s heavy bottom-up emphasis, and the lack of political engagement at the outset of the process in Tanzania are possible stumbling blocks. Burkina Faso and Ghana display major disconnects between the aggregate constraint and sector ceilings, between initial ceilings and allocations, and between allocations and actual expenditure.

The Albanian case provides a clear illustration of how the interaction of the PRSP and MTEF, within the political decision making process, reinforced the ceiling setting process and gave credibility to the remainder of the budget preparation phase. The preliminary sector resource ceilings provided a ceiling for poverty reduction priorities identified in the Growth and Poverty Reduction Strategy (GPRSP) and these priorities drove sector expenditure strategies. The GPRSP built on and reinforced the MTEF and, in turn, the GPRSP gained credibility by being reflected in the MTEF and, ultimately the annual budget. The Rwanda case suggests that the PRSP is strengthening policy making, with the Prime Minister taking the lead, supported by a steering committee of officials. There is some concern, elaborated below, that the nature of participation and the decentralised approach may, however, threaten this cohesion.

A strategic phase to budget management

Supporting a number of the developments discussed above are quite explicit moves to create space at the outset of the budget preparation phase to focus on strategy, while at the same time ensuring that there are tight links between this phase and the preparation of the detailed estimates. This appears to have disciplined decision-making not only at the centre of government but also at the sector and agency level. Reflecting the centrality of an integrated process this has, in turn, been associated with improvements in budget execution.

An interesting development is the central role of some form of strategic document to help focus the discussion and identify the options available to decision makers. South Africa has its Budget Policy Statement, Uganda its Budget Framework Paper, and Albania its MTEF document. The Circulaire Budgetaire in Burkina Faso, which includes the MTEF and is signed by the President before being published, seems to serve this same purpose. The great value of such documents is that they provide a common framework around which stakeholders can engage in a debate about priorities, options.

21 Even though the timetable for the PRSP did slip in 2001, the MTEF for 2001 “was able to reflect the priorities identified in the GPRSP” (2002a), no doubt because of the institutional arrangements developed to support integration.

22 In Burkina Faso, “according to the DGB the PRSP’s purpose is not to take into account resources available, but only to define objectives and orient policy. It is the MTEF’s role to discipline these objectives within a resource framework” (p22). This only represents progress if there is a well integrated MTEF/Budget cycle, which does not appear to be the case at the moment.
and choices. Such a document has great potential to become the key mechanism for integrating the MTEF and PRSP.

Lengthening the budget formulation phase highlights the importance of incorporating updated macro estimates into the budget timetable and reflecting these in allocations. The maturing MTEF countries illustrate the approach to this issue, as they do to developing a more predictable budget timetable.

The other lesson emerging from the cases is that excessive detail in the estimates provided to MoF is likely to distract from the strategic focus now emerging (Ghana, Tanzania).

New policy

A number of the cases show that more explicit processes for dealing with new policies are being built into the system (see Box 6 for a discussion of the approach in Francophone Africa). The PRSP has the potential to focus attention on this issue, but there is also a risk that institutional arrangements for PRSPs (which are currently centrally focused) could weaken policy capacity across government more generally. The encouragement of sector working groups (SWGs) to develop new policy initiatives, supported by a poverty focus, is a most welcome development, not least because it helps cement the links between policy, planning and budgeting at the sector and agency level. The nature of top-down ceilings means that much of this policy development will be reflected in a reallocation within the sector or organisational ceiling. But there is a need to enable significant new policy proposals to be considered collectively and for subsequent reallocations between sectors, as happens in South Africa. A little appreciated significance of this issue lies in its role as a safety valve, facilitating the exchange of information between the line and centre and encouraging ministers and their officials to be creative in confronting policy problems, knowing that if their case is strong they may be able to argue for additional resources. This is all part of building a more orderly approach to facilitating shifts in priorities – one which is based increasingly on analysis and information.23

Existing policy

Approaches to the assessment of existing policy receive very limited treatment in the cases. That there is a problem here is confirmed by the fact that, despite being asked to provide data on defence spending, no cases do so. It is arguable that one of the great gaps in PEM work over the past 10 years has been the failure to focus attention on the relevance and effectiveness of ongoing policies. As has been well documented the result is new spending being an add-on with limited resources being spread too thinly over too many policies and activities. Donor projects have only compounded this ‘add-on’ mentality as have the latest donor policy priorities. The PRSP clearly risks contributing to this add-on mentality. The focus on poverty should have created the conditions whereby other spending was placed under rigorous scrutiny so as to free up resources for poverty reduction. The cases make it clear that this is one of the gaps in MTEF/PRSP integration. It is difficult to avoid the conclusion that politicians find it more comfortable to pursue donors for additional funding than to upset the status quo by cutting back other spending (and that this is also more comfortable for donors).

There are some encouraging signs from the cases that the desired policy churning is beginning to take place at the sector level. But this still leaves the bigger inter-sectoral issues to be confronted.

23 A significant reason why the Australian system of forward estimates has survived as a central element of budgeting for some 17 years is the safety valve mechanisms it has built into the system. On the other hand the Dutch system is under considerable pressure because the safety valve mechanism only operates once every four years, after elections.
Based on OECD experience and the treatment of the issue in the cases, there appears to be a strong argument in favour of governments periodically undertaking a whole of government review of policies.

**Box 6: Francophone experience with MTEFs**

The francophone country studies indicate that the introduction of MTEFs are gradually bringing about a shift towards top-down budgeting and line ministry adherence to the associated ceilings. The Burkina Faso study notes the contrast between this new approach and the previous ‘blue-sky’ bottom-up approach to budgeting. The setting of ceilings is also being influenced by the PRSP, with social sector envelopes consistently increasing.

Burkina Faso has perhaps made most progress towards a comprehensive approach with new policy proposals being justified by reference to the PRSP. In Benin there is a formal process for consideration of such proposals. Project directors and regional representatives present proposals to their line ministry, where a decision is made whether to put them forward. Those proposals that do go forward are then considered by Finance and Planning where a decision is made whether or not to include them in the budget.

One major area of concern is the lack of sufficient political engagement at the early stages of budget formulation which might explain why, particularly in the case of Burkina Faso, ceilings appear not to be taken seriously by anyone other than line ministries. As a result, neither the budget nor actual expenditure bears much relationship to the initial ceiling, with constant readjustment creating an unpredictable environment. A second area of concern is that while reallocations are taking place, this is still of the increment (particularly that supplied by donors) and there is little consideration of the efficiency and effectiveness of existing programmes and activities.

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### 5.5 Strategic approach to management at sector level

The more strategic approach to management at the sector level and the progress being made in untangling where strategic decisions should be being made (between the centre and individual ministers at the sector or organisational level)\(^2\) are incredibly important developments for enhancing the credibility of budgets and underpinning improved budget execution. The Albanian case outlines the stages in strategic management at MDA level mandated in its MTEF guidelines (Box 7).

**Box 7: Preparation of sector expenditure strategies – Albania**

The MoF guidelines stated that the preparation and updating of sector expenditure strategies is an integral part of the annual MTEF/budget cycle to be undertaken during February to April. The guidelines identify a sequence of four distinct stages in the preparation of the sector expenditure strategies:

Stage 1. Setting indicative resource guidelines which indicate the expected order of magnitude of future public spending in the sector and which also show how existing resources are allocated between the key programs areas within the sector. The guidelines envisage that this analysis will be contained in a short background note prepared by the MoF for each of the sectors in which strategies are to be prepared.

Stage 2. Summarising the overall policy objectives for the sector and identifying the main programme areas through which these objectives are to be achieved.

Stage 3. Carrying out for each of these program areas:

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\(^2\) As already noted, it is not clear from the country cases that it is understood there is a need to distinguish between the flexibility and discretion given to ministers and their sector organisations during budget preparation and the flexibility required to support improved budget execution. The former is strategic and is withdrawn once Cabinet collectively agrees to the budget to be presented to the Parliament. The latter is operational/managerial and, as such, is concerned with flexibility over the application of administrative, as opposed to program, funding during budget execution.
an assessment of the current situation and key issues to be addressed, focusing on the way in which resources are currently utilised;
a statement of the specific objectives and policies to be pursued;
an analysis of the role of government distinguishing: (i) between central and local government responsibilities; and (ii) between those areas in which the government plays a regulatory or facilitating role and those in which it is responsible public service delivery.
an assessment of the implications for future public expenditure allocations both in terms of the share of total sector resources and the measures necessary to ensure more effective use of existing resources;
a presentation of the priority measures to be taken over the coming three years and the changes in resource allocations necessary to realise these measures.

Stage 4. Providing recommendations for how allocations should change over the coming three year period, taking into account existing patterns of resource use as well as the results of the analysis from the previous stages.

A number of the case countries have or are developing similar strategic approaches at the sector level (Ghana, Rwanda, South Africa, Tanzania, Uganda). In Rwanda and Tanzania this coordination is arguably being done via the annual PER process. In Albania, this work is being coordinated by a sector working group (SWG), as it is in South Africa and Uganda. SWGs have become very important vehicles for developing this more strategic management focus at the sector level and for beginning to translate this into a better allocation of resources and improved performance on the ground. There is evidence that the shift in donor financing towards SWAs and general budget support has been important to these developments. They have, in addition, performed other important functions, notably in opening up the process to other stakeholders. As such they have contributed to the PRSP objective of more broadly based participation and to the PEM objective of greater transparency. In Albania, SWGs include representatives of other ministries and agencies involved in the sector, including MoF. In Uganda SWGs include ‘representatives of all stakeholders, including civil society and donors’, while South Africa’s include sector and MoF officials from provincial and national governments. Despite the significant progress that the creation of these groups represents, there is a real risk that they could in fact undermine the development of strategic management at the organisational level (primarily by diffusing responsibility). Close attention needs to be given to ensuring that SWGs do not replace but rather complement, support and feed into strategic management at the ministry and agency level.

The Ghana and Rwanda cases highlight the centrality of a credible budget to sustaining a strategic approach to sector and agency management. The Rwanda case points to one particular dimension of this, namely the expectation at the sector level that the MTEF will deliver additional resources. The Rwanda case notes that this was never intended, but it is a reminder that, by being realistic/honest about resource availabilities, sectors can be more realistic/honest about what they can deliver. A key message must be that a strategic management approach is fundamentally concerned to ensure that ministries and agencies make best use of whatever resources they receive, including by building in a capacity to accommodate and adapt to unexpected fluctuations in resource flows.

**Budget execution and operational performance**

As has been emphasised earlier, one of the ultimate objectives of an MTEF is to improve the quality of budget execution (programme implementation). The cases all highlight that there is an extraordinarily long way to go on this but the countries in the *maturing* category are beginning to show the key contribution the MTEF can make to this, namely greater predictability of policy and funding. For others, particularly those in the *struggling* category, it is not apparent that this message has been heard yet, primarily because the basics are not yet in place.
The quality of budget execution and operational performance depends on a host of factors that go well beyond the contribution of an MTEF. Some of these include:

**The quality of financial information.** Reliable and timely financial information underpins all phases of the budget cycle, from budget preparation to reporting and auditing. The case studies point to both ongoing inadequacies and to progress being made on this front. In Albania, improvements prior to the introduction of the MTEF have facilitated its implementation while in Tanzania they have coincided with and supported MTEF implementation. In Ghana, it appears that the project approach to public sector reform has been as damaging to progress with IFMS implementation, as it has to other aspects of reform. The PRSP has further highlighted the need for improved financial information to support the costing of poverty reduction policies.

**The quality of non-financial information.** While it is easy to focus on the inadequacies in this area exposed by the PRSP process, much more important is the demand that the PRSP is creating for such information. All cases point to the difficulties countries are facing in this area, with the South African case pointing to slow progress in developing performance indicators as a key concern. The risk here is that there will be a proliferation of indicators that will either be not used or misused in the budgetary process. Particular attention will need to be given to developing the capacity in central budget agencies to understand and be discriminating in the use and analysis of performance information.

**Performance assessment.** Caution needs to be taken in moving to link performance and resource allocation decisions too quickly. In the initial phase performance assessment should be focused on learning and making adjustments to policies, programmes, activities and resource mixes in the light of that learning. As Sweden has demonstrated, swamping of the centre with performance information is counter-productive and the Ghana case illustrates that a lack of any follow up monitoring (let alone sanctions) undermines any commitment to performance measures and targets.

**Freedom to manage.** The cases have highlighted substantial inflexibilities built into resource allocation and management rules. The budget systems in francophone countries based on the French budgeting system of the 1960s, leave the least room for flexibility to change allocations, relying heavily on extensive ex ante controls. All expenditures need to go through the stages of commitment, validation, authorisation and finally payment all of which need to be approved by the Ministry of Finance. In Cameroon, for example, salaries are not the responsibility of sector ministries or lower level government entities. This is a difficult area and there are many legitimate concerns about the abuse of flexibility. However, if the good intentions embodied in MTEFs and PRSPs are to be translated into continuous improvement, attention will have to be given to providing managers with appropriate authority to manage their resources accordingly. The lesson from experience across a range of jurisdictions is that matching authority and responsibility is essential to continuous budgetary improvement.

Budget execution in Africa cannot be mentioned without reference to cash budgeting.\(^25\) It appears as an issue, and a problem, in all the African cases bar South Africa. While it is easy to criticise cash budgeting it is important to recognise that its presence is largely a symptom, perhaps the most potent symbol, of previous failures in budget formulation.\(^26\) What is questionable is the lack of attention in many countries to the reasons for revenue shortfalls; the underestimation of expenditure

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\(^{25}\) The use of the term cash budgeting in Africa is unfortunate as cash budgeting is what virtually every country practices. The difference is that in well performing systems cash budgeting simply means that cash is actively managed and is made available to spending units in accordance with their budget allocation and as it is needed to support the efficient and effective use of resources during budget execution

\(^{26}\) The risks of exogenous shocks are greater in these countries and the thinness of their financial markets make it more difficult to manage these shocks through monetary policy. This does not explain the continued lack of attention to the major causes of unpredictability, most of which are self-inflicted or inflicted by donors, and to the arbitrary nature of reductions.
or lack of commitment to budget allocations; and the arbitrary approach to determining where
budget reductions fall. On balance, efficient and effective implementation of programmes has been
accorded little status relative to fiscal rectitude.

In Rwanda the cash budget is regarded as one of the main impediments to an effective MTEF
process. In Tanzania a shift from the restriction of a monthly cash budget to a forward-looking
quarterly cash budget has improved things slightly. Uganda continues to employ cash budgeting but
the country study illustrates that it is constantly seeking to modify its approach so as to minimise
the adverse consequences. The conservative approach to budgeting the aggregates has been
important in this regard. The requirement under the new Public Finance and Accountability Bill that
supplementaries have prior authorisation of Parliament is seen as hardening the budget constraint on
those agencies that persistently exceed their original budget allocation. It will be interesting to see
whether this contributes to a further reduction in the reallocation of resources during budget
execution.

5.6 Sequencing a performance focus

Developing and sequencing a performance focus is a problematic area for all the countries involved
in the study. This should come as no surprise as OECD countries have been grappling with this
issue for nearly 20 years and are hardly closer to any definitive answer on the interaction between
classification structures, performance information and budgetary performance.

The most important lessons relate to the integration of PRSPs and MTEFs/budgets. PRSPs are
ultimately about outcomes but, as Booth et al (2001) has noted, PRSPs are currently weak on
intermediate outcomes. MTEFs/budgets are the logical mechanism to fill this middle ground by
linking the future to the present (and the past), including by imposing some discipline on the link
between resources and results.

The country studies are ambiguous as to whether a programme or output based budget classification
is needed but there does appear to be a consensus that a functional and sub-functional classification
is a necessary support to decision making at the budget preparation stage. There seems little doubt
that a functioning programme or output-based budget would facilitate the performance orientation
of the MTEF but the operative word here is functioning. The Benin case provides some
encouragement with programme budgeting being used primarily to strengthen sector decision-
making and management (as opposed to being seen as primarily a tool for decision making at the
centre). The Burkina Faso case paints a gloomier picture of programme budgeting. The problem,
which is consistent with findings in other regions, is that where programme budgets are for
information only, and not the basis of appropriations, parliamentary scrutiny or sector management,
are a waste of time. What does not appear to be in dispute is the admonition of Schick (1998) that
you need to be able to control inputs before you attempt to control outputs.27

Another issue is that the centre must be able to deliver budgeted funds if a performance budgeting
system is to deliver. A recent study of when poverty gets budget priority (Foster et al 2002)
suggested that Tanzania has introduced a sophisticated performance budgeting system requiring
spending ministries to submit annual service improvement plans specifying their policies,
objectives, strategies, targets and delivery plans. However, in the absence of assured funding the
plans remain hypothetical and lack credibility. It is for this reason that the emphasis in the case
studies on the responsibility of the budget preparation process and, hence the MTEF, to produce a
credible budget – one which will deliver predictable policy and funding – is so central. The
responsibility of sectors and individual budget agencies is to deliver services (outputs) efficiently

1988, p. 130.
and effectively and advise governments on the links between outputs and outcomes. To do this, sectors and organisations require clear objectives, strategies, performance information and, arguably, targets. The focus on poverty has reinforced this need and therefore given impetus to work on this front. This does not require that the form in which the estimates are appropriated be programmatic or output based. What is required early on is programme management – performance budgeting can come later. As already mentioned, this approach does seem to be giving credibility to the Benin approach to programme budgeting. The How, When and Why Study also supports the findings of the MTEF cases that the lack of flexibility for line ministers and managers is an obstacle to improving performance.

A key message is that performance information is primarily a management tool at the sector and organisational level. This sits well two of the overarching themes of this synthesis, namely the importance of distinguishing between the strategic and operational and between those decisions that should be made at the centre (i.e. collectively) and those that should be made at the sector or organisation level. These distinctions might help South Africa which is at a stage where there appears to be an emerging divide between Treasury’s focus on outputs and the focus of the President’s office on outcomes. Experience suggests that budgets must be concerned to support outcomes but the format for appropriating funds in more developed systems is best targeted towards outputs.

6. MTEFs and Intergovernmental Relations

The cases suggest that MTEF implementation is casting an uncomfortable light on intergovernmental fiscal relations. The concern is that the problems that have emerged in Ghana, where those favouring decentralisation see the MTEF as a centralising force, may develop into the norm. This is a highly political issue. The country studies provide some useful insights into the possibilities and pitfalls.

The first and most obvious point is that the balance between centralisation and decentralisation has to be thought through on a case-by-case basis. A great deal has already been made in this report of the evidence that MTEFs/PRSPs are associated with a shift to a more strategic approach to decision making and a clearer distinction between collective decisions at the centre and individual sector/MDA decisions. This is difficult enough to untangle within a single national government but adding further levels of government further complicates ‘who makes which resource allocation decisions’. Every country will come up with a different answer to this question, reflecting their history, geography, institutions and political structure, but the cases suggest that more attention needs to be paid to matching authority and responsibility between levels of government and to distinguishing between the strategic and operational. Despite the obvious benefits of the cooperative governance approach in South Africa, other countries should be wary of trying to encompass all levels of government within a single MTEF. As the case study highlights there are unique factors in South Africa that both facilitated and demanded this cooperative approach.

In Uganda, there is evidence that the MTEF has contributed to an enabling environment within which local governments are able to enhance the planning of their activities. Conditional grants from the centre currently constitute 75% of local government funding and are seen as a critical mechanism to direct resources to poverty reduction priorities identified in the Poverty Eradication Action Programme (Uganda’s PRSP). But as concerns about local government autonomy intensify,

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28 For discussion of the parallel development of a credible budget and a performance orientation at the sector/budget agency level see chapter 5 of the World Bank’s Public Expenditure Management Handbook.
the ability of the centre to run a national poverty reduction agenda (through the mechanism of conditional grants) will become increasingly complicated.

Rwanda appears to be heading in a similar direction to South Africa but it will have to confront many of the same tensions experienced by Uganda. The emphasis on bottom-up budgeting driven by communities in Rwanda will have to be explicitly managed so that it does not clash unnecessarily with broad strategies and resource realities. Ghana illustrates how ‘projectisation’ has proved to be a major barrier to effective reform in this area, as it has been with the MTEF. In Ghana decentralisation began in the 1980s with the transfer of planning responsibility to districts. At best this has been deconcentration, with the usual failure to match authority and responsibility. Compounding this is the separate work on a Local Government Service Bill and the ‘projectised’ fiscal decentralisation, both of which have been grinding their way through the system for at least 5 years. All the cases usefully highlight the challenges in balancing centralisation and decentralisation, but none more so than Ghana. What is particularly disturbing is that after all the years of experience, the issue still seems to be being treated, including by many outside ‘experts’, as centralisation versus decentralisation.

7. Linkages with Poverty Reduction Strategies

A strong message from the country studies is that the explicit focus on poverty reduction being generated by PRSPs is putting some backbone into recent and/or faltering MTEFs. However, this is qualified by the fact that in the case of Uganda at least, the explicit focus on poverty within the MTEF pre-dated the donor-driven PRSP, and by the fact that South Africa, which is the furthest along the line of institutionalising an MTEF does not have an explicit poverty focus. What the country studies are suggesting is that where the MTEF has focused on providing a disciplined framework for strategic resource allocation decision making it has forced attention on priorities, whether explicitly poverty reducing or not. At the same time, where countries have an MTEF that is not yet providing the disciplined framework, an MTEF/PRSP mix has injected a much needed focus on priorities in the resource allocation process. It is hard to overstate the significance of this development, given its centrality to building a legitimate and credible budget.

Further findings on the linkages between MTEFs and PRSPs are:

7.1 Macroeconomic framework and the aggregate resource constraint

The expectation that the macroeconomic framework should be the same for both the MTEF and PRSP is largely validated by the cases. Similarly it is expected that the aggregate resource constraint will be the same for the MTEF and for poverty reducing expenditures. This is how it is working in the countries with reasonably well developed MTEFs (South Africa, Uganda) and it is evident that this is the direction in which Albania, Rwanda and Tanzania are currently moving. However, this is yet to be the case in the struggling countries of Burkina Faso, Cameroon and Ghana.

An issue raised directly by the PRSP is the desire to support an expanded resource envelope to accommodate increased aid flows in support of poverty reduction – usually on the part of IFIs/donors, but in the case of Uganda, on the part of government. This is a complex issue, as has already been noted (Box 3), and perhaps the key lesson from the cases is the need for a balanced view. A country should be concerned not only with sustainability issues around an enlarged envelope but also its willingness to legitimise the full range of allocations through the budget preparation phase and its capacity to implement the associated expansion of programmes and activities through the budget execution phase. A major concern here must be that multiple sources
of (effectively earmarked) funds, such as HIPC and global donor funds for health and education mentioned in the cases, will only exacerbate the softening of the budget constraint already achieved by projects. This underscores the importance of budget comprehensiveness and why the attention MTEFs are giving to this area is so important.

7.2 Allocating resources to priorities

As should be clear from the earlier discussion this is the most important point of interaction of the MTEF and PRSP. This is where government should be confronting the full range of government interventions that have a budgetary impact, whether poverty reducing or not, and making choices and allocating resources to priorities. MTEFs in South Africa and Uganda are doing this, and making choices and allocating resources to poverty reducing programmes is part of the process. Elsewhere the PRSP is providing a framework for a more strategic approach to resource allocation. However, it is also clear that this risks further unbalancing the relative attention to priority and non-priority expenditures. The conclusion to the Tanzanian case notes that the ‘analysis of expenditure priorities in the MTEF process should be extended to cover all sectors and not just the priorities identified in the PRSP’ (2002h). It also notes that ‘the present practice of prioritising releases of non-wage recurrent expenditures to the PRSP priority sectors and programmes has increased uncertainty over whether and when non-priority programmes will receive funding with resultant risks to the efficiency and effectiveness with which resources can be utilised in these programmes. The very substantial share of budgetary resources allocated to priority programmes compounds these uncertainties’ (2002h). In Burkina Faso, while resource envelopes in priority social sectors have consistently increased (largely on the basis of the PRSP), envelopes for non-priority sectors, particularly those without a programme budget, are still determined on an incremental basis. Non-priority sectors in Cameroon have not seen an increase in their budgets for years. Hence these line ministries lack the incentive to formulate sector strategies. The recommendation from the Tanzania country study that Sector Working Groups be established for all sectors is strongly supported. This must be seen as part of the process of reducing the uncertainty faced by non-priority sectors in the release of funds.

7.3 Participation and parliamentary scrutiny

The opening up of the budget decision making process to community stakeholders as part of the development of the MTEF in Uganda and Tanzania appears to be a constructive approach to anchoring participation in both the PRSP and MTEF processes, while the creative use of the PER process has made an important contribution to opening up the budget process in both countries. A key concern is that whatever institutional arrangements are built for participation in the PRSP, they should at least link with those built for budget participation. To the extent that consultations around the PRSP are broader, their timing must reflect the need to feed into the MTEF/Budget process.

There are nevertheless some danger signals emerging from the country cases on the possible impact of the PRSP on the budget process. Perhaps the most significant of these relates to the emphasis on participation, particularly at community level. The particular concern is that donors yet again will subvert country’s policy-making processes and the cycle of budget uncertainty will continue, particularly for those expenditures that do not attract a pro-poor label. This risk is perhaps best captured by the Rwanda case where the very bottom-up approach to developing poverty reducing budgets, drawing on the strategic planning model, is raising unrealistic expectations about funding and could well be undermining the policy making process at the centre of government. Expectations

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29 It is somewhat surprising that in Uganda, given the opening up of its budget process to stakeholders, it took a private member’s bill in 2001 to get the Budget Framework Paper tabled in Parliament. The Chairman of the Budget Committee has noted that this is expected to facilitate subsequent consideration of the annual budget.
need to be managed through a more rigorous top-down approach, signalling not only what resources are available but also what national priorities are.\textsuperscript{30}

Somewhat less dramatic, but nevertheless symbolic of the dangers, is PRSP reporting. The Annual Progress Reports are important features of the process but donors should be pushing for as much of this as possible to be incorporated into documents produced as part of the overall financial cycle (e.g. a budget policy statement at the end of the strategic phase, in the budget documents and in reporting on actual results). Donors should be supporting existing government systems and reports rather than developing a parallel process.

7.4 Approval of the budget

Whatever the role of Parliament in budget making, the country studies point to the possibility that better costing and target setting as part of the PRSP process will provide the basis for more vigorous engagement of Parliament in the appropriateness and realism of the detailed budget estimates. Again, the importance of a budget presentation that links inputs to outputs within a programmatic structure is highlighted.

Recent work on PRSP monitoring (Booth and Lucas 2002) has drawn attention to the ‘missing middle’ of short term and intermediate poverty indicators linked to longer-term poverty outcomes. The country studies point to how an MTEF/PRSP link has the potential to provide the conditions to cast some light into this missing middle. Given the difficulties most OECD countries have had in making the performance/resource link there is a need for a great deal of patience here. Parliaments should be encouraged to pick up this challenge.

7.5 Budget execution

The case studies all point to the need for the introduction of an MTEF to be preceded or accompanied by a range of other PEM reforms. Many of these are central to sound budget execution, particularly the ability to manage and monitor disbursements and actual expenditure. These same reforms are also noted as being crucial to PRSP success. These issues are currently receiving considerable attention from the World Bank and IMF.

This report has already argued that one of the truly significant developments coming out of effective MTEF/PRSP linkages has been the much sharper focus on the strategic phase of budget preparation and the accompanying political engagement in resource allocation. What the PRSP is also bringing to the budget table is a concern to follow through on the results being achieved. It can be argued that this was always the intention of an MTEF (see South Africa and Uganda), but the cases emphasise the potential of the PRSP in the other countries to give substance to this concern. While there remains a considerable amount of work to be done to raise the quality of both financial and non-financial information, evidence from the cases indicates that it is an MTEF-poverty link that is generating the demand for higher quality information at all phases of the budget cycle. And at least one of the cases, Tanzania, highlights the importance of the freedom of managers to manage to improving the efficiency and effectiveness of resource use and achieving just some of the ambitious PRSP targets. While there is a need for caution, the best precaution against the inefficient use (or misuse) of resources is a rigorous focus on the results of government expenditure. Monitoring, reporting and auditing systems are all part of the precautions.

\textsuperscript{30} This is not a pitch for centralisation but simply an acknowledgment that there must be a balance between centralisation and decentralisation that includes, particularly in a unitary state, a centre that provides fiscal stability and a cohesive political process for determining national priorities.
8. Conclusions and Recommendations

The case studies indicate that MTEFs are progressing, albeit unevenly, and that in many cases they have both facilitated, and are being strengthened by the current emphasis on implementing PRSPs. While the practice of public expenditure management could still be an obstacle to the achievement of poverty reduction objectives, the case studies do note encouraging developments in the extent to which MTEF implementation appears to be a driver of broader-based PEM reforms. But there is still some distance to travel both in terms of government implementation performance and donors changing their behaviour and practices to support the principles of both the MTEF and PRSP.

Perhaps the most striking development uncovered by the case studies is the emergence of an explicitly strategic phase to budget preparation. This augurs well for both the MTEF and PRSP, although it has to be said that more attention needs to be given to how the PRSP process can support policy making across the full range of government programs and activities - the key to a credible budget. This strategic phase is both facilitating and demanding collective political engagement in resource allocation decisions. It is also providing an environment supportive of the increasing attention to strategic issues at the sector and agency level. Some donor practices, such as the PER process in East Africa and SWAps, have been supportive of these developments, but at present they remain the exception.

In broad terms, the most significant recommendation that flows from experience in the case countries is the need to continue to focus on developing a coherent and integrated process of policy making, planning and budgeting. This distinguishes those countries in the maturing category of MTEF implementation as well as those that are beginning to institutionalise the PRSP. Aspects of integration that require particular attention are:

- Establish an explicit strategic phase at the outset of the MTEF/budget process to engage ministers collectively in a debate on policy priorities and ministers and their ministries on programme priorities
- Practice top-down budgeting that reflects both aggregate resource realities and policy priorities
- Developing as close to a seamless progression from one phase of the budget process to the next as possible
- Engage all stakeholders at appropriate points in the budget cycle, but support the need for government to make budgetary choices. Particular attention should be given to integrating donor instruments, such as the PER and programmatic approaches to aid delivery with government’s own systems and processes
- Linking consideration of recurrent and capital spending around their shared purpose
- Avoiding excessive projectisation of MTEF and PRSP reforms

Another broad recommendation is the need to manage expectations. In the case of the MTEF this includes managing expectations about additional funding as well as expectations as to the rate of progress in improving budgetary outcomes. In the case of the PRSP, expectations need to managed around how quickly the PRSP will become the overarching policy framework for all MDAs and how quickly the performance/resource link will develop. There is also a need to manage expectations as to the rate of progress in improving poverty outcomes. Expectations will be more effectively managed where the players (government, legislature, central agencies, line agencies, civil society and donors) are transparent about what their expectations are.

More specific recommendations are:
1. **Build the basics**, particularly around basic budget discipline, to support MTEF and PRSP implementation, and preferably prior to their implementation. Where this is not feasible, high priority must be given to putting the basics in place as part of implementation by the careful sequencing of reforms. The demands of the MTEF must be compatible with the existing state of PEM in the country – the weaker the basics the lighter the demands.

2. **Work to make the budget/MTEF as comprehensive as possible.** This involves going beyond simply including expenditure on budget (extra-budgetary funds, quasi fiscal activities, guarantees) to ensuring that these expenditures are subject to aggregate resource realities and priorities (they should both have to and be able to compete with all other expenditure). At one level this requires close attention to the extent of earmarking, contingency funds and donor project funding (and other donor funding by-passing the budget process). At another level, it requires that the ceiling setting process must incorporate sufficient flexibility for decision makers to foster strategic decision making and management, and an increased performance orientation at the sector level.

3. **A single central agency is preferable for coordinating all aspects of the expenditure side of the budget.** The cases also suggest that PRSP implementation is facilitated where it is coordinated by this same budget agency. It is recommended that this coordinated approach is replicated at the sector level. In the event that such integration is not practicable, institutional arrangements that facilitate integration of the budget/MTEF and the MTEF and the PRSP should be put in place (e.g., Cabinet Sub-Committee, Steering Committee, Working Groups).

4. **Realistic and honest estimates for both likely revenues and expenditures are vital if the aggregate resource constraint is to be credible.** Consideration should be given to basing budget making on conservative economic growth and/or revenue assumptions. Where fiscal scenarios are employed close attention must be given to the risk that this will be seen as softening the hard budget constraint, hence undermining a more strategic focus to decision making and management.

5. **Top-down ceilings**, reflecting not only the aggregate resource constraint but also broad strategic sector priorities, should be employed as a key MTEF mechanism and to facilitate the linking of the MTEF and PRSP. Such ceilings must be sufficiently fixed (hard not only for the line but also the centre) to be credible but sufficiently flexible to accommodate changing economic conditions, changing priorities and new information.

6. **Support the strategic phase of budget making with a document such as a Budget Framework Paper or the MTEF itself which contains a discussion of both medium term fiscal policy and sectoral priorities and policies.** Table this document in Parliament, preferably in advance of the preparation of detailed estimates. Consideration should be given to incorporating the PRSP into this documentation.

7. **Sector Working Groups (SWGs) mandated to coordinate the development of strategic approaches to budgeting and to engage stakeholders, should be established (arguably for all sectors) by countries with an MTEF (and PRSP).** The encouragement of sector working groups to develop new policy initiatives, supported by a poverty focus, is a most welcome development, not least because it helps cement the links between policy, planning and budgeting at the sector and agency level.

8. **Developing a more performance oriented budgeting system** should begin with the centre focusing on improving funding and policy predictability through the MTEF and PRSP, and line ministries focusing on developing clearer objectives and strategies, programme and strategic management capabilities and performance information. While a formal performance based
appropriation classification structure should not be seen as an early priority, where it is introduced it must support strategic, performance based decision making and management. Functional and sub-functional classifications must receive priority given their potential to support a performance orientation. Attention should be paid to avoiding excessive amounts of performance and costing information being submitted with MTEF/budget estimates and to developing capacity of both line and central agency officials to analyse and understand the uses of performance information.

9. The efficiency and effectiveness of resource use must receive more attention. Performance based budgeting systems have a role to play here but the highest priority needs to be given to the incentives on officials to perform, particularly through better matching of authority and responsibility.

10. MTEFs and PRSPs being implemented in a country pursuing decentralisation should be managed in such a way as to support decentralisation. Particular attention should be paid to matching authority and responsibility at each level of government and to distinguish clearly between the strategic and operational phases of budget management.
Bibliography


World Bank (2001) PRSP Sourcebook, Chapter on Public Spending and the Poor.


Case Studies

Commissioned


John Short (2002e) Assessment of the Medium Term Expenditure Framework in Ghana, REPIM, U.K.

John Short (2002f) Assessment of the Medium Term Expenditure Framework in Rwanda, REPIM, U.K.

Albert Van Zyl (2002g) Operationalising the MTEF as a tool for Poverty Reduction: South Africa Case Study, Budget Information Service IDASA.

Bird, Andrew (2002h) Assessment of the Medium Term Expenditure Framework in Uganda, Mokoro, U.K.


Other
Annex 1: Checklist

1. Background

- When/why was the MTEF introduced? What were the specific problems it was intended to address?
- How was the MTEF introduced and over what time period? Eg. What was the source (e.g. part of a World Bank operation)? Did it involve the whole of government from the start or was it piloted first by sector? Was introduction phased? If so how and what phase is it currently in?
- Describe the key features of the approach to implementing the MTEF
- Who have been the leading advocates of the MTEF process? If there are opponents identify and explain.
- Has the development of the MTEF been supported directly by external assistance? If so, indicate the source and nature of the support provided.

2. The MTEF process and organisational framework

- Briefly describe the MTEF process and calendar, including the points at which the MTEF and annual budget link.
- Briefly describe the main players who take part in MTEF preparation and their respective roles and tasks during the MTEF process and associated annual budget process. Are any of these players the same players involved in the PRSP process? (e.g. Ministry of Planning and its component units, the Ministry of Finance and the relevant units, for example the budget bureau and the treasury function, and spending agencies).
- Indicate the points in the MTEF process that are subject to political engagement (e.g. by the Minister of Finance, Cabinet or Cabinet Committees, Parliament or Parliamentary Committees). What form does engagement take (e.g., pro forma, consultation, decision making)? What evidence is there that decision makers feel bound by the annual budget and the MTEF?
- Are there broader consultations regarding fiscal policy and/or resource allocation around the MTEF process? If so, who participates and at what point in the planning process? Are these consultations influential?
- Is the MTEF presented to the parliament with, or separate from, the annual budget? Is the information contained in the MTEF disseminated more widely?

3. MTEF structure and coverage

- What is the time-frame covered by the MTEF?
- Characterise the nature of the out-year expenditure estimates of the MTEF. Does the MTEF cover all domestic revenues, external financing and expenditures? If not, describe what is excluded.
- Describe the structure of expenditure and financing categories used in the MTEF. Are these identical to the categories used in budget appropriations? If not, indicate in what manner they differ (eg. basis for classification, degree of aggregation). Provide specific

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31 Ranging from the costs of existing policies and programmes in those years, to an indicative allocation of funds to a sector/agency/programme for those years, to a forward budget. If the estimates are basically forward estimates of existing policies then changes in estimates should really be driven by policy change. If it is primarily an indicative allocation, changes in subsequent budgets should also be driven by policy change but this is more likely to take a financial form (especially where the relationship between policy and the resources provided in support of these policies is unclear). If it is a forward budget then estimates should not be changed until the biennial or triennial policy review comes round.
examples from the education, health, agricultural and defence sectors. How do these structures relate to those used by line ministries for managing their resources?

4. Basis and process of setting resource projections

- On what basis are forward projections of macro-economic performance prepared (eg. is it a CGE model, forward projections based on extrapolation, IMF estimates)?
- What is the source of the aggregate fiscal constraint within which the MTEF is prepared? (i.e. is it based on IMF estimates or other macro projections?) How does this relate to figures used to frame the resource envelope for the PRSP?
- How are forward projections of growth, revenue, external financing and debt forgiveness/financing prepared (are they IMF estimates or generated from another source)? How accurate are all these forward projections?
- Are deviations between projections and actual outturns explained? If so indicate the justifications given.
- Present MTEF projections prepared and the actual outturns for macro-economic variables, revenue and external financing. An example is provided below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<tr>
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<td>100</td>
<td>110</td>
<td>115</td>
<td></td>
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<tr>
<td>MTEF 1998</td>
<td>104</td>
<td>111</td>
<td>118</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MTEF 1999</td>
<td></td>
<td>110</td>
<td>118</td>
<td>125</td>
<td></td>
</tr>
<tr>
<td>Actual Outturn/Budget</td>
<td>94</td>
<td>101</td>
<td>109</td>
<td>117</td>
<td>121</td>
</tr>
</tbody>
</table>

5. Basis and process of setting aggregate limits and broad allocations

- Are MTEF allocations applied directly in the setting of expenditure limits for the budget year? To what extent is the first out-year rolled over automatically to be the starting point for the next years annual budget?
- Is there a single overall expenditure limit? Are there separate limits for the recurrent and development budget? On what basis are expenditure limits for development and recurrent expenditures set?
- Is the aggregate limit the same as the expenditure figure from the MTEF projection? Is Cabinet actively engaged in the determination of aggregate limits and broad allocations? Is there a PIP and how is it linked to the MTEF?
- What other limits (program, output, line item) are provided to line organisations?
- Are budget allocations subject to revision during the budget process, thereby altering the structure of the budget relative to the MTEF? If so indicate by whom and how these alterations are justified.
- On what basis are organisational resource allocations prepared? If there are statutory or policy guidelines for the attribution of organisational shares describe.
- How important are external development partners in determining allocations (eg. through IFI or other donor conditionality)?
- Where there are changes in organisational and/or program resource allocations between MTEF exercises are these clearly identified in MTEF documentation? Is the Ministry of Finance required to justify these alterations? To what extent are changes driven by policy changes of government?
- Are broad organisational allocations linked to performance targets in terms of output and outcomes? If so, provide examples from the education, health and agriculture
sectors. Is there a formal performance based budget system (i.e., a formal linking of inputs to outputs and/or outcomes)? If yes, briefly describe the main features.

- On what basis are any performance targets set? Are MTEF performance indicators the same as those used to monitor the national Poverty Reduction Strategy (PRSP)? How much public consultation is there about the setting of targets and selection of indicators?

6. Policy, planning, the MTEF and budgeting

- How are new policy proposals (at centre and sector level) currently handled? What is the relationship between the way policy proposals are generally handled and the ‘new’ process around the PRSP? What is the level of participation in these various processes?
- Are there review processes for existing policy/programs and for the development of any new policy at the sector level and at the centre (Cabinet, MOF, Planning). Describe. What is the level/type of participation?
- To what extent is policy made during (a) the planning process (b) the MTEF/budget process or (c) some other process (such as the PRSP or the preparation of SWAPs)? Describe.
- To what extent is policy change driven by (a) Cabinet (b) President/Prime Minister (c) Planning Ministry (d) Finance (e) Sector Ministries/Departments (f) IFIs/Donors (g) Other?
- How well integrated are policy making processes associated with SWAPs and the budget/MTEF process?

7. Basis and process of organisational expenditure planning

- Describe how MTEF proposals are prepared (eg. Centrally within sector ministries, bottom up by agencies within sectors and (a) submitted to sector ministry or (b) submitted direct to MoF) and how this process is linked to the planning process. Do proposals identify poverty reduction programmes explicitly?
- What are internal sector/agency approaches to strategic planning and what are the links to the budget?
- What guidance is provided by Ministry of Finance regarding the internal allocation of resources? E.g. by component (personnel) by function/program (primary education) by source of financing (domestic) or other? What does parliament vote on?
- Are the organisational expenditure allocations set by the centre non-negotiable (that is do proposals exceeding these limits get automatically rejected and the ministry/agency is required to submit a revised proposal within limits)?
- Are internal allocations linked to performance indicators? If so, on what basis.
- Are the proposals subject to detailed costing? If so, describe the basis (eg. activity based or unit costing) and level of aggregation detail in which costings are prepared. Have specific studies been undertaken to establish the cost basis of sector proposals?
- What is the treatment of expenditures to priority sectors?

8. The MTEF and the budget execution

- Are budget allocations subject to revision during budget execution? If so, indicate on whose authority and how these alterations are justified.
<table>
<thead>
<tr>
<th>Shares in %</th>
<th>Budget 1998</th>
<th>Outturn 1996</th>
<th>Variation %</th>
<th>Budget 2002</th>
<th>Outturn 2000</th>
<th>Variation %</th>
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<tr>
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<tr>
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<td>86.9</td>
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<td>101</td>
<td>84.2</td>
<td>160</td>
<td>159</td>
<td>99.4</td>
</tr>
</tbody>
</table>

- What are the principal causes of deviations between budget allocations and budget outturns (e.g. in-year revisions, failure to release funds under cash budget, low implementation by ministry/agency, shortfalls in donor funds)? Are there transparent rules/processes for any reallocation during budget execution? If so what are they?
- What specific measures are being taken to address these problems?
- Are actual expenditure (including arrears) and agency performance monitored during and at the end of the budget year? What are the consequences of failure to live within budget and/or meet performance targets?

9. **The MTEF and the Poverty Reduction Strategy**

- What points in the budget cycle is there an integration of the poverty reduction strategy process and the MTEF/budget?\(^{32}\) E.g. Is the poverty reduction strategy process explicitly coordinated with the MTEF process? What kind of institutional arrangements are in place to integrate the two processes (such as monitoring)? How do poverty reduction priorities guide MTEF allocations? Are specific poverty reduction programmes identified? If so, describe the treatment of these programmes in the MTEF and the Budget (e.g. ring fencing in a real or virtual poverty reduction fund).
- Who are the key players involved in taking decisions about PRSP priorities/targets? To what extent are these same players responsible for taking decisions in the budget process? Is there a clear decision making link between the two processes?
- Have consultations around the PRSP process included reviews of the expenditure framework?
- To what extent has the PRSP process been disciplined by the realities of the resource constraints over the medium to longer term e.g. have poverty reduction targets been adjusted to take account of resource availability?
- Have resource, expenditure aggregates and resource allocations been projected to the end of the PRSP (e.g. 2010)? If not, indicate the period covered by the existing projections and the PRSP and explain on what basis long-term poverty reduction targets were set.
- Describe the methodology used for costing PRSP priorities. How does this compare with methods used to cost policy proposals in the MTEF process? How consistent are PRSP costings with costings used to inform the MTEF (e.g. from SEFs)?
- Are specific measures in place for the allocation and tracking of HIPC funds? If so, briefly describe.

\(^{32}\) Given that these processes are young in most countries the early phases of integration are likely to be very messy. There is no expectation here that such integration will happen quickly. A key point to tease out is whether integration is being considered let alone attempted.
• How well integrated is the PRSP process with planning/policy making processes at local government/provincial level?

10. The MTEF and Local Government

• To what extent are local government bodies autonomous in financing and decision-making? What are the requirements for reporting-up to central authorities?
• How explicitly are responsibilities at different levels of government clearly defined and pursued in practice (what is the extent of matching of authority and accountability)?
• Do local governments prepare medium term resource projections? If so, briefly describe the basis for these projections and their links to any central government MTEF.
• Do local governments prepare medium term expenditure projections and allocations? If so, briefly describe the basis for these projections and their links to the central government MTEF.
• If there is no forward resource or expenditure planning process currently underway, will these instruments be introduced in the near future? If so, explain.

11. Quality of information

• Is financial information sufficiently timely, accurate and reliable to support the functioning of the MTEF, budget formulation and execution? Describe key features.
• Can financial information be manipulated to provide costs by activity, project output and programme? If so how easily?
• How timely, reliable and accurate is any output and outcome information employed in the MTEF/budget? Is any program evaluation undertaken? Is performance information available that is not being exploited by the MTEF/budget?
• What new information requirements are associated with the PRSP process? Are these clearly defined? What is the likely impact of increased information demands/availability on the MTEF/budget process?

12. Conclusions

• Identify the strengths and weaknesses of MTEF design, process and organisational framework, with particular attention to sequencing and the three levels of MTEF operation. 33
• On the basis of the above make recommendations regarding improvements in the MTEF process, distinguishing measures to be taken in the short and medium-term.
• Overall, how well integrated is the MTEF-PRSP link? Does the PRSP take account of the financing constraints? Does the MTEF reflect the strategic priorities of the national PRSP? What needs to happen if these processes are to be better linked?

33 Again note that the early years of implementation are likely to be messy. It is the direction and the robustness of any change that is most relevant here.