Medium Term Expenditure Frameworks: From Concept to Practice

Preliminary Lessons from Africa

Philippe Le Houerou
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February 2002
Medium Term Expenditure Frameworks:
From Concept to Practice. Preliminary Lessons from Africa
February 2002
Africa Region Working Paper Series No. 28

Abstract

Medium Term Expenditure Frameworks (MTEFs) are receiving renewed attention in the context of the formulation of Poverty Reduction Strategy Papers (PRSPs). Conceptually, MTEFs are the ideal tool for translating PRSPs into public expenditure programs within a coherent multiyear macroeconomic and fiscal framework. But do MTEFs work in practice? With a view to drawing preliminary lessons from experience, this paper undertakes a comparative assessment of the design and impact of MTEFs on public finance and economic management in nine African countries. Based upon this assessment, it offers recommendations and practical guidelines for improving both design and implementation of MTEFs, and sets out a framework for further evaluation. The paper concludes that MTEFs alone cannot deliver improved PEM in countries in which other key aspects of budget management, notably budget execution and reporting, remain weak. The study, therefore, recommends that comprehensive, detailed diagnoses of budget management systems and processes precede MTEFs, in order to ensure appropriate design of reform programs. In countries with weak capacity, in which a full-fledged MTEF, which should be seen as a package of bundled reforms, cannot be introduced all at once, the paper proposes guidelines for sequencing the overall PEM reform program and phasing in its MTEF-specific components. It further recommends that in order to have an impact, the MTEF should be integrated with the budget process from the start, with the MTEF outer year projections published as part of the budget document. Though each country’s situation is distinct, it suggests that these reforms are best managed by a set of overlapping, mutually reinforcing organizational structures, some of which should be specifically established to handle the MTEF, though the Ministry of Finance should have ultimate responsibility. And lastly, it stresses that political motivations and incentives for launching MTEFs explain in part why the MTEF has been more successful in some African countries than others.

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Acknowledgment: The authors would like to thank Malcolm Holmes, Allister Moon, Anand Rajaram, Mike Stevens, and Vinaya Swaroop for their very valuable and extensive written comments on previous drafts. They gratefully acknowledge the very useful comments made by Charles Humphreys and Bill Dorotinsky during internal Bank discussions and would like to thank the country economists in the Africa region, Hassan Zaman, Eka Vashakmadze, Alberto Agbonyitor, Robert Utz, Jeff Lewis, Lucas Ojiambo, Ezzeddine Larbi, Chukwuma Obidegwu, and Rocio Castro, who provided information and insight on their countries’ MTEFs. In addition, they would like to thank Kyu Kim and Geremia Palomba for their very valuable research assistance on several of the case studies.

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I. INTRODUCTION

The middle to late 1990s saw the proliferation of medium term expenditure frameworks (MTEFs) throughout the developing world. By one count (World Bank, 2001: 6) as many as twenty five countries in Africa, Asia (eastern, central, and southern), Latin America, and Eastern Europe are at various stages in the process of adopting MTEFs, and another ten are seriously considering it. This proliferation has occurred over a relatively short time period. Of the twenty-five existing MTEFs, nearly 90% were adopted over the five-year period, 1997-2001. It is not premature to say that MTEFs are a trend in developing country public expenditure management (PEM), and the trend shows no signs of cresting.

Moreover, the trend is particularly pronounced in Africa, which accounts for over half (52%) of the existing MTEFs in the developing world. Africa may be regarded as the regional leader in MTEF implementation, as about half of the African MTEFs, including the most prominent ones, were adopted over the 1992-1997 period, that is, prior to the adoption of most MTEFs in other regions. In some sense, then, the African experience with MTEFs has served as a catalyst for adoption of the reform in other regions.

If the Africa region has been the laboratory for MTEF development, the World Bank has been the principal researcher. In the vast majority of cases the World Bank was involved in the decision to adopt and implement an MTEF, many of which came about as a result of a public expenditure review. In fact, the MTEF has become a standard item in the Bank’s public expenditure management (PEM) toolkit. More and more, MTEFs are considered the *sine qua non* of good PEM. The World Bank, however, is not the only advocate of this approach, which has also been advocated by the Asian Development Bank (1999) and the International Monetary Fund (1999), though with some reservations.

MTEFs are receiving renewed attention in the context of the formulation of Poverty Reduction Strategy Papers (PRSPs), which have in the MTEF an ideal vehicle for actually incorporating them into public expenditure programs within a coherent macroeconomic, fiscal, and sectoral framework. The IMF’s Poverty Reduction and Growth Facilities (PRGFs) also motivate MTEF reforms. At the same time, MTEFs are featured prominently in the country-by-country assessment of the Heavily Indebted Poor Countries (HIPC) debt relief initiative, which, as a requirement of program accession, seeks to track poverty-related expenditures resulting from debt relief (World Bank/IMF, 2001). A recent Board paper recommends that the Bank consider adjustment and technical assistance loans “to assist in building” MTEFs (World Bank/IMF, 2001: 27). Furthermore, the Bank’s new lending instrument, the Poverty Reduction Support Credit

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1 These figures, which differ from those in World Bank 2001, refer to MTEFs in operation or formally planned. “Adoption” simply refers to the formal decision of the government to introduce an MTEF reform. MTEFs under discussion are not included here, so these figures should be considered conservative.

2 See the Bank’s internal PEM website (http://www-wbweb.worldbank.org/prem/prmps/expenditure/).

PRSC), will be based, in part, on the medium-term programs and costings presented in countries’ PRSPs and, hence, their MTEFs.  

To date little comparative analysis of actual MTEFs in developing countries has been undertaken. This is due, in part, to the fact that the introduction of MTEFs is rather recent. The result, however, is that MTEFs, in operational terms, have been unintentionally accorded the status of “black boxes.” This paper endeavors to elucidate and draw preliminary lessons from the experience of MTEFs in the Africa region. The overarching aim of this paper is to offer practical guidelines for implementing MTEFs in developing countries by (1) designing a typology of MTEFs at the operational level, (2) assessing the expected impact of MTEFs in theory and practice, and (3) drawing preliminary lessons for the improvement of MTEF design and implementation. The next section briefly discusses the MTEF concept, while the third section describes in detail the design of nine “actually existing” MTEFs in Africa. The fourth section presents a preliminary assessment of MTEFs in practice. The last section draws some lessons about how to improve the implementation of MTEFs from an operational perspective.

II. MTEFs IN THEORY

The MTF provides the “linking framework” that allows expenditures to be “driven by policy priorities and disciplined by budget realities” (World Bank, 1998a: 32). If the problem is that policy making, planning, and budgeting are disconnected, then a potential solution is an MTEF. Given that this disconnect between policy making, planning, and budgetary processes is a common condition of developing country governance, the MTEF has increasingly come to be regarded as a central element of PEM reform programs. In this section we will briefly review the concept and the objectives of the MTEF, as well as address the issue of the relationship between the MTEF and other PEM reforms.

A. Concept

According to the World Bank’s Public Expenditure Management Handbook (1998a: 46), “The MTEF consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources...in the context of the annual budget process.” The “top-down resource envelope” is fundamentally a macroeconomic model that indicates fiscal targets and estimates revenues and expenditures, including government financial obligations and high cost government-wide programs such as civil service reform. To complement the macroeconomic model, the sectors engage in “bottom-up” reviews that begin by scrutinizing sector policies and activities (similar to

---

4 For an example of this, see Bevan (2001).
5 Two kinds of analytical work currently exist: conceptual work on public expenditure management (e.g., handbooks) and specific case studies (e.g., consultants’ reports).
6 For more on the MTEF concept see World Bank (1998a), Asian Development Bank (1999), and Dean (1997).
the zero-based budgeting approach), with an eye toward optimizing intra-sectoral allocations.  

Table 1. The Six Stages of a Comprehensive MTEF

<table>
<thead>
<tr>
<th>STAGE</th>
<th>CHARACTERISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Development of Macroeconomic/Fiscal Framework</td>
<td>• Macroeconomic model that projects revenues and expenditure in the medium term (multi-year)</td>
</tr>
<tr>
<td>II. Development of Sectoral Programs</td>
<td>• Agreement on sector objectives, outputs, and activities</td>
</tr>
<tr>
<td></td>
<td>• Review and development of programs and sub-programs</td>
</tr>
<tr>
<td></td>
<td>• Program cost estimation</td>
</tr>
<tr>
<td>III. Development of Sectoral Expenditure Frameworks</td>
<td>• Analysis of inter- and intra-sectoral trade-offs</td>
</tr>
<tr>
<td></td>
<td>• Consensus-building on strategic resource allocation</td>
</tr>
<tr>
<td>IV. Definition of Sector Resource Allocations</td>
<td>• Setting medium term sector budget ceilings (cabinet approval)</td>
</tr>
<tr>
<td>V. Preparation of Sectoral Budgets</td>
<td>• Medium term sectoral programs based on budget ceilings</td>
</tr>
<tr>
<td>VI. Final Political Approval</td>
<td>• Presentation of budget estimates to cabinet and parliament for approval</td>
</tr>
</tbody>
</table>


The value added of the MTEF approach comes from integrating the top-down resource envelope with the bottom-up sector programs. It is at Stage III that the policy making, planning, and budgeting processes are joined (see Table 1). Once the strategic expenditure framework is developed, the government defines the sectoral resource allocations, which are then used by the sectors to finalize their programs and budgets. Key to the sectoral review process is the notion that within the broad strategic expenditure framework, which reflects the resource constraint as well as government policy, sectors have autonomy to manage by making decisions that maximize technical outcomes like efficiency and effectiveness. Once the MTEF has been developed it is rolling in the sense that the first outward year’s estimates become the basis for the subsequent year’s budget, once changes in economic conditions and policies are taken into account. The integration of the top-down envelope with bottom-up sector programs occurs by means of a formal decision making process. As the Handbook (1998a: 34) suggests, “Key to increasing predictability and strengthening the links between policy, planning, and budgeting is an effective forum at the center of government and associated institutional mechanisms that facilitate the making and enforcement of strategic resource allocation decisions.”

7 Note that this type of sector review presupposes either program-based budgeting or, at the very least, a functional and organizational budget classification system.

8 Some have suggested that an MTEF might include additional elements, such as output based budgeting systems (Oxford Policy Management, 2000).
B. Objectives

The MTEF is intended to facilitate a number of important outcomes: greater macroeconomic balance; improved inter- and intra-sectoral resource allocation; greater budgetary predictability for line ministries; and more efficient use of public monies (World Bank, 1998a: 46). Improved macroeconomic balance, including fiscal discipline, is attained through good estimates of the available resource envelope, which are then used to make budgets that fit squarely within the envelope. MTEFs aim to improve inter- and intra-sectoral resource allocation by effectively prioritizing all expenditures (on the basis of the government’s socio-economic program) and dedicating resources only to the most important ones. A further objective of the MTEF is greater budgetary predictability, which is expected as a result of commitment to more credible sectoral budget ceilings. Moreover, to the extent that budgetary decision making is more legitimate, greater political accountability for expenditure outcomes should also ensue. The MTEF also endeavors to make public expenditures more efficient and effective, essentially by allowing line ministries greater flexibility in managing their budgets in the context of hard budget constraints and agreed upon policies and programs.9

<table>
<thead>
<tr>
<th>Table 2. The Objectives of an MTEF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved macroeconomic balance, especially fiscal discipline</td>
</tr>
<tr>
<td>Better inter- and intra-sectoral resource allocation</td>
</tr>
<tr>
<td>Greater budgetary predictability for line ministries</td>
</tr>
<tr>
<td>More efficient use of public monies</td>
</tr>
<tr>
<td>Greater political accountability for public expenditure outcomes through more legitimate decision making processes</td>
</tr>
<tr>
<td>Greater credibility of budgetary decision making (political restraint)</td>
</tr>
</tbody>
</table>

C. MTEFs and other PEM

This section also briefly addresses the issue of the relationship between the MTEF and other PEM reforms, as this has been a source of on-going discussion. The MTEF, which focuses on budget formulation issues (in a multi-year macro/fiscal framework), is a subset of basic PEM reforms. The MTEF does not address issues of budget execution or reporting; nor does it cover all relevant budget formulation issues such as budget comprehensiveness. If this is so, the question arises: is the MTEF simply the old budget formulation wine in a new budget reform wineskin?

One way to answer this question is to think about the MTEF approach as reframing the concept of budget projections through the lens of the three levels of PEM as articulated by the World Bank (1998a: 2): aggregate fiscal discipline (Level 1), allocation of resources in accordance with strategic priorities (Level 2), and efficient and compliance.

---

9 This last objective only holds if line ministries are given greater autonomy to manage resources, which is not universally regarded as a key element of the MTEF approach.
effective use of resources in the implementation of strategic priorities (Level 3).\(^{10}\) Moreover, the MTEF approach contextualizes a medium term (e.g. multi-year) perspective in the broader budget management and decision making environment. In this sense the MTEF represents a package of PEM reforms conceptualized and grounded in a new way. The resonance of the MTEF idea indicates that there is indeed something quite useful about the way in which it has been conceptualized.

At the same time, however, there are two potential risks one might encounter in moving from the realm of the conceptual to the operational. The first is trying to implement the concept of the MTEF as a single reform, when in fact it is a set of many inter-related reforms. The number, nature, and sequencing of MTEF component reforms would have to depend on the specific conditions of the country in question. The other risk is in thinking of the MTEF as a separate package of reforms in isolation from other basic budgetary reforms. Since an MTEF focuses principally on budget formulation issues, it is by definition a limited reform. Key issues of budget execution and reporting would have to be addressed by other reforms.

These two potential risks raise the issue of reform sequencing. Given that the MTEF is a multi-component reform in practice, and most countries could not implement all reforms at once, how should reforms be sequenced? And given that the MTEF does not address every important budgetary issue, how should the MTEF be integrated into the larger PEM reform program? On this point the Handbook (1998a: 81) says the following: "There is no single best way to approach the sequencing of reform. There are too many factors that influence sequencing, notably the extent to which the basics are in place, the particular set of institutional arrangements, and the sources supporting and opposing reform." However, given the above-mentioned potential risks to emerge at the operational level, the paper will devote considerable attention to the issue of reform sequencing, which has not been well covered in the existing literature.

III. MTEFs IN PRACTICE: THE AFRICAN EXPERIENCE

An analysis of the MTEFs “on the ground” in nine African countries reveals that while there is broad agreement on the fundamentals of an MTEF at the conceptual level, there are variations in the design of the reform at the operational level. This divergence of practice, which manifests itself largely in the design and management of MTEFs, is largely due to two factors. Perhaps most importantly, the divergence is due to the needs of different countries to adapt the MTEF reform to their particular institutional and political circumstances. The divergence of experience is also due, however, to the fact that the prescriptive advice on MTEFs has been more conceptual than practical.

While the three pillars of an MTEF are clear (projections of the aggregate resource envelope, cost estimates of sector programs, and a political-administrative process that integrates the two), the operational guidelines for designing and implementing MTEFs are much less clear. In practice, many operational questions arise:

\(^{10}\) We are indebted to Anand Rajaram for stressing this point.
What should be the sectoral scope of the MTEF? What information should sector expenditure frameworks include, and at what level of detail? What are the appropriate roles for the ministry of finance and the sector ministries? Where and how does the MTEF fit in with the existing budget process? The fact that few of these types of questions are addressed in the best practice literature means that little operational guidance has been made available for practitioners, which has resulted in problems at the operational level. The purpose of this section is to shed some light on how the MTEF concept is currently operationalized in Africa, that is, to open up the "black box," and to indicate the operational design elements around which variance is the highest.

A. Typology

The following typology is intended to help reformers think about operationalizing MTEFs. We suggest the following three design dimensions: general, technical, and organizational. The four general design features are: scope, format, government levels, and length of period. The two technical features encompass the macroeconomic/fiscal (MFF) and sector expenditure frameworks (SEF). The four organizational features are: status in budget process, management structure, dissemination, and oversight. Taken together, these ten design features define an MTEF in operational terms. Table 3 provides more detail on the key elements defining each design feature.
<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Design Feature</th>
<th>Key Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General</strong></td>
<td>Scope</td>
<td>• Sectors included</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Type of expenditure included (recurrent and/or capital)</td>
</tr>
<tr>
<td></td>
<td>Format</td>
<td>• Expenditures presented by classification (economic, functional, organizational, geographical, program-based)</td>
</tr>
<tr>
<td></td>
<td>Government Levels</td>
<td>• Level of government encompassed (central, regional, and/or local)</td>
</tr>
<tr>
<td></td>
<td>Length of Period</td>
<td>• Number of years (including budget year)</td>
</tr>
<tr>
<td><strong>Technical</strong></td>
<td>Macro/Fiscal Framework (MFF)</td>
<td>• Basis for framework (type of quantitative model)</td>
</tr>
<tr>
<td></td>
<td>Sector Expenditure Framework (SEF)</td>
<td>• Content of framework (projections, targets, aggregate and sectoral ceilings, etc.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Inclusion of policy framework and strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Type of costings of existing and proposed programs (level of detail)</td>
</tr>
<tr>
<td><strong>Organizational</strong></td>
<td>Status in Budget Process</td>
<td>• Fit in budget process (form and date of inclusion in annual process)</td>
</tr>
<tr>
<td></td>
<td>Management Structure</td>
<td>• Approval/authorization process</td>
</tr>
<tr>
<td></td>
<td>Dissemination</td>
<td>• Central and sectoral agencies' roles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Organizational location of MTEF management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Introduction of reform</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Civil society input into process</td>
</tr>
<tr>
<td></td>
<td>Oversight and Support</td>
<td>• Method and form of dissemination internally and externally (formality)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Oversight of sectors by central ministries (intra-sectoral allocations)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Level of sectoral autonomy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Oversight of central ministries by sectors (sectoral allocations, disbursements, etc.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Training support</td>
</tr>
</tbody>
</table>
B. Country Cases

In Africa there are currently thirteen MTEFs in various stages of implementation. The World Bank has been involved, to varying extents, in all of them (except Namibia). The following table lists the African MTEF countries and describes the World Bank’s role in each.11

Table 4. MTEFs in Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Year of Initiation</th>
<th>World Bank Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>BENIN</td>
<td>2001</td>
<td>The Bank has been active in supporting MTEF reform.</td>
</tr>
<tr>
<td>BURKINA FASO</td>
<td>2000</td>
<td>The Bank has been a fairly active partner in the MTEF reform.</td>
</tr>
<tr>
<td>GABON</td>
<td>1998</td>
<td>MTEF was first proposed in the 1998 CAS.</td>
</tr>
<tr>
<td>GHANA</td>
<td>1996</td>
<td>The Bank promoted MTEF reform. The MTEF was introduced as part of Public Financial Management Reform Program.</td>
</tr>
<tr>
<td>GUINEA</td>
<td>1997</td>
<td>The MTEF was adopted as part of Bank’s Public Management Adjustment Credit.</td>
</tr>
<tr>
<td>KENYA</td>
<td>1998</td>
<td>MTEF reform was promoted by the 1997 PER. Key elements of MTEF implementation were included as conditionality in the Economic and Public Sector Reform Credit (6/2000).</td>
</tr>
<tr>
<td>MALAWI</td>
<td>1996</td>
<td>The MTEF was introduced by the Fiscal Restructuring and Deregulation Program (FRDP I) in 1996 and further supported by FRDP II in 1998 and FRDP III in 2000.</td>
</tr>
<tr>
<td>MOZAMBIQUE</td>
<td>1997</td>
<td>The MTEF was promoted and supported by the Bank and DFID, which provided consultants and training.</td>
</tr>
<tr>
<td>NAMIBIA</td>
<td>2000</td>
<td>--</td>
</tr>
<tr>
<td>RWANDA</td>
<td>1999</td>
<td>MTEF reform was proposed by the 1998 PER. The MTEF position paper and plan of action were financed by DFID.</td>
</tr>
<tr>
<td>SOUTH AFRICA</td>
<td>1997</td>
<td>The first effort at MTEF reform was supported by the Bank, which also provided advice during implementation.</td>
</tr>
<tr>
<td>TANZANIA</td>
<td>1998</td>
<td>MTEF reform was promoted by the 1997 PER. The MTEF was developed in the context of the annual, participatory PER process. Key elements of MTEF implementation (e.g. preparation of the MTEF FY00-02 itself) and expenditure reallocation targets were included as conditionality in the Programmatic Structural Adjustment Credit (6/2000).</td>
</tr>
<tr>
<td>UGANDA</td>
<td>1992</td>
<td>The Bank participated in the MTEF reform and offered assistance on an ad hoc basis.</td>
</tr>
</tbody>
</table>

Source: Africa region country economists and Public Expenditure Management Thematic Group.

To be included in the following analysis, a reform experience of more than one year was deemed appropriate. This criterion excludes the youngest of the African MTEFs (Benin, Namibia, and Burkina Faso). In addition, Gabon was excluded for lack of information, bringing the number of cases studies to nine (nearly 70% of the total number of African MTEFs). The analysis is based on internal World Bank and government documents, publications, working papers, press accounts, and interviews with country officials.

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11 This list considers only reforms explicitly adopted under the MTEF banner. There are other PEM reforms, such as those implemented in Botswana in the 1960s (see Box 1), that approximate an MTEF, but they are not addressed here.
economists and other experts (including several in field offices). A standardized questionnaire was used in the interviews and to structure the case studies.

### Box 1. Bridging Two Paradigms - Botswana's Long-Running MTEF

Preparing budgets within a medium term fiscal framework is not a practice entirely new to the region. Current MTEFs have their antecedents in the economic planning systems that were part of the paradigm of government in the first two decades after independence, when countries set great store by the National Development Plans (NDPs). Though most NDPs have since been discontinued, Botswana, whose first plan appeared in 1968, has successfully kept up the economic planning tradition. Describe a modern day MTEF to officials of Botswana's Ministry of Finance and Development Planning (MFDP) and they will tell you that they have been making budgets within a medium term expenditure framework for as long as they can remember.

The NDPs in Botswana constitute a well-managed development planning process, setting out national objectives on a broad range of issues. Policy objectives for the plan period are arrived at after inter-ministerial consensus and are set out by the MFDP in its Keynote Issues Paper. These broad objectives are reviewed by the Economic Committee of Cabinet (ECC) and, in accordance with its directions, ministries outline their sectoral priorities along with projections of capital and recurrent expenditure for the plan period. Spending ministries have considerable flexibility in selecting the plan projects they want to implement, subject to the sustainability of recurrent expenditure. The MFDP develops the macroeconomic framework that ties together the macroeconomic objectives with the allocation of budgetary resources. Extensive discussions ensue between representatives of the government, the public sector and civil society, with contentious issues being resolved by the ECC. Only after each NDP has been discussed within government and a consensus reached, does it go to the National Assembly for debate and approval. Although the NDP is formally reviewed only at the mid-term stage of the plan period, it is in effect updated annually in the light of changes in economic parameters.

The planning process in Botswana has proved to be effective. Substantial reserves have been built up, enabling the government to withstand periodic downturns in the diamond market. The country has been praised for ensuring that the proceeds of mineral revenues have been channeled to key sectors like education, health and physical infrastructure, and the checks on manpower growth, which are an integral part of the planning and budgeting system, have helped Botswana avoid the downward spiral in real pay and supporting expenditure experienced by other countries in the region. Observers readily agree that the country's NDP style MTEF has been a critical instrument in its unique record of utilizing mineral resources effectively for development. Practitioners too, concur, which is why the system has been durable.

**Source:** Michael Stevens.

### C. General Design Features

There is a high level of convergence around the general MTEF design features in the Africa region (see Table 1 in Annex 1). There are also, however, some interesting differences. Of the four general design categories, MTEF coverage shows the most variation. Five cases nominally include all sectors in the MTEF, while four cases include only priority sectors. This is the element that defines whether an MTEF is a "whole of government" reform or only a priority sector reform. In fact, some would argue that an MTEF is by definition a whole of government reform, and if all sectors are not included, then one does not really have an MTEF. Moreover, it could have implications for whether the MTEF is useful in controlling aggregate spending and the fiscal deficit. The benefits of including all sectors are clearly a more comprehensive MTEF, as compared with the
subset approach. The costs of including all sectors, in terms of capacity, however, are also higher. Countries have clearly been of two minds about this design dimension, although it is one of the most fundamental (discussed further below).

The other design dimension that shows a great deal of divergence concerns the inclusion of capital and recurrent expenditures. Four cases have MTEFs that include both capital and recurrent expenditures (though not necessarily foreign aid), while the others either include mostly recurrent, or include both, but have separate capital budgets. To the extent that capital expenditures are excluded from the MTEF, the instrument's coverage is seriously limited. In many cases the exclusion of capital expenditures is linked to the difficulty of including donor funding in the budget process. However, given the exclusion of the capital budget, the MTEF becomes a much weaker tool and should have much less of an impact on reallocation of resources (especially given that much of the recurrent budget, viz. the wage bill, is quite sticky in the medium term).

Regarding the format dimension there is much more convergence. Nearly all countries utilize both economic and functional classifications (the number of functional categories ranges from eight to fourteen in practice). Though most MTEFs use a functional classification, the categories in many cases are so highly aggregated that little information can be gleaned on intra-sectoral resource allocations, which would suggest that MTEFs currently focus more on inter-sectoral than intra-sectoral reallocation. This finding is supported by the fact that only a few cases present a detailed organizational expenditure classification, suggesting that MTEFs are currently focused on the more general level of sector than even the slightly less aggregated organizational level. Given this design, one should not expect African MTEFs to have much of an impact on intra-sectoral reallocation at this point. The implication, which is further probed in Section IV, is that existing MTEFs in Africa do not contribute to the amelioration of the third level of public expenditure management (the efficient and effective use of resources in the implementation phase).

In terms of the government levels included in the MTEF, most countries focus exclusively on the central level. This is largely due to the centralized nature of public administration in this subset of Sub-Saharan African countries, which limits the applicability of MTEFs to the regional and local levels. Whether the MTEF should encompass subnational levels would depend on whether the appropriate level of administrative capacity exists or not. It would seem that in many African countries decentralized MTEFs would not be a feasible option at this point.

With respect to period length there is also broad convergence. Seven countries have three year MTEFs (including the budget year), while South Africa has a four-year MTEF. The outlier in this case is Mozambique, which prepares forecasts for a six-year period. A longer period, as in the Mozambique case, might actually undermine the MTEF by reducing its credibility. In fact a three-year MTEF appears to be widely accepted.
Figure 1 shows each case according to its level of development along the general dimension. A simple scale (see Annex II) was used to code the data in Table 1 (Annex 1). The cases range from Rwanda and Mozambique, with a rating of one, to Uganda and South Africa, with a rating of four, out of a possible six. Clearly, the level of development varies substantially. Of the four general dimensions, scope shows the most divergence at the operational level. Many countries have found it difficult to include capital expenditures (including donor funding) in the MTEF and many have struggled with the proper scope of sector coverage, trying to balance capacity on the one hand with a “whole of government” approach on the other. There is considerably more convergence around the format, government levels, and period length dimensions.

D. Technical Design Features

In both technical dimensions (the macro/fiscal and sector expenditure frameworks) there are points of convergence as well as divergence (see Table 2 in Annex I). Strikingly perhaps for a technical exercise, there is a great deal of divergence around the technique used to develop the MFF. The following methods/sources are used: a CGE model, spreadsheet models, econometric models, and IMF financial programming

12 Based on the key elements of each design feature as presented in Annex I, a scale was used to rate each of the MTEFs along each of the three major design dimensions. Most of the features were rated according to a dichotomous scale (yes/no), though several allow for greater gradation. See Annex II for the coding rules. For a similar approach, see World Bank/IMF (2001).
projections. One might have thought that in countries at similar levels of development similar estimation methods would be used.

In terms of selecting the estimation method, one general principle is that the model should be appropriate to the given administrative capacity. For example, it is not clear that Mozambique's use of a CGE model is the most appropriate. Relying exclusively on IMF macroeconomic and fiscal source data, as Guinea and Rwanda do, while useful in getting the ball rolling, might not be advisable in the long run, since it does not allow for tailoring to local needs. However, given the choice between nothing or IMF projections, the option of utilizing IMF projections to develop the initial MFF would clearly be preferable for many countries, especially in those "under program." Whether spreadsheet-based or econometric models are more appropriate depends on country particulars, in part, though it seems clear that countries ought to move in this direction given the right mix of reliability and simplicity. Though all MTEFs provide both projections and expenditure ceilings in their MFFs, due to differences in the availability and quality of data and the technical capacity to run the models, the quality of MFFs varies from country to country (only three cases also include macroeconomic and fiscal targets). Of course the underpinnings of any model have to be good, realistic data.

With respect to the SEFs almost all incorporate some sectoral strategy, including objectives, activities, and outputs (Kenya, which does not include sectoral strategies in the MTEF, does include them in the PRSP). In terms of sector program costings, however, there is a high variance in quantity and quality. First, there is no case in which all sectoral costings are of uniform quality. In fact, there is only one case in which costings are standardized (South Africa). Moreover, only a subset of cases produce costings with data on programs or activities, and, of those, many are at a very aggregate level (for example, the Mozambique health sector costs only three general programs: "improving health service provision quality, improving health institutions, and developing human resources") and some only include recurrent costs. In practice, then, even in countries with nominally comprehensive coverage, only a subset of sectors actually produces costings. Thus, de facto, most MTEFs in Africa are only partial MTEFs. This finding ought to inform the next round of reform efforts, especially in those countries working toward a full PRSP.

Figure 2 indicates that the degree of development of these MTEFs along the technical dimension also varies considerably. Interestingly, while the formats of the MFFs (i.e., projections and ceilings) and SEFs (i.e., strategies and costings) are similar, the devil is in the details. Bases for making projections vary from "back of the envelope" calculations to CGE models, while costings are typically partial and not nearly disaggregated enough to the program/activity level. While South Africa is ranked as having all the desirable technical characteristics, Mozambique is ranked as having only a couple. Figure 2 illustrates that there are incremental but important differences between MTEFs along the technical design dimension.

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13 In some cases the SEFs derive, to varying extents, from national policy frameworks, such as the GEAR program (Growth, Employment, and Redistribution) in South Africa and the PES (Economic and Social Program) in Mozambique.
E. Organizational Design Features

One of the most important findings of this section is that only five MTEFs are integrated in a meaningful way into the budget process (see Table 3 in Annex I). Thus, the oft-repeated charge that MTEFs are "parallel" exercises finds some support in the cases. While an unintegrated MTEF could still have some salutary effects on public expenditure management, it could not be expected to effect radical change in the budget process. In terms of political approval, only four countries submit their MTEFs to both cabinet and parliament for approval; it would seem that high-level political approval would greatly increase the MTEF's chances of effecting change. Indeed, it would mean even more if cabinet were involved in making the difficult trade-offs required during the MTEF process. In two cases the Ministry of Finance (MOF) promulgates the MTEF without recourse to higher political approval. In the cases in which the MTEF is only issued by the MOF, it remains a MOF technical document rather than a strategic framework.

There is also a high level of divergence of practice around the management of MTEFs. In five cases MOFs manage MTEFs directly, while in the other four cases other management structures are utilized. In the other cases, though the MOF always plays at least a tutelary role, other stakeholders are involved. In Tanzania, for example, the PER

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14 A recent report (World Bank/IMF, 2001) also found that only ten percent of the HIPC's presently have MTEFs fully integrated with the budget process (23).

15 We are indebted to Malcolm Holmes for this point.
working group, which includes broad governmental and civil society representation, supports the MOF’s management of the MTEF. Kenya has an MTEF Secretariat while in South Africa multiple stakeholders play important roles, including the Department of State Expenditures and the Medium Term Expenditure Committee. In South Africa, the overlapping authority structure reinforces the obligations of individual stakeholders.

In terms of the mode of sectoral participation, there is further divergence. In five cases sectors alone prepare their SEFs, while in four cases sector working groups, composed of sector specialists, MOF officials, and civil society representatives (in some cases), work together to prepare SEFs. The working group approach allows the MOF to participate in drafting the SEFs and also provides the sectors with more technical resources from outside government.

Civil society representatives formally play a role in only two of the African cases (Uganda and Tanzania). The MTEF is presented to the PER working group in Tanzania, the effect of which is to generate debate about the government’s strategy and funding plans. In a third case (South Africa), presentation to parliament has generated lively public debate over the MTEF. Moreover, in South Africa the MTEF is submitted to parliament before the budget and is intended to generate discussion and debate about the government’s program. However, most African countries do not view civil society participation as central to the MTEF, even though it might facilitate greater accountability.

With respect to oversight mechanisms, most MTEFs fare poorly. Only one case makes more than limited use of performance agreements (Ghana) and only three use sectoral performance indicators or targets. Even in these cases, the extent to which these performance measures are used in practice is uneven. Perhaps because of poor oversight mechanisms, few cases are characterized by any sectoral autonomy (South Africa, Tanzania, and Ghana are the exceptions). Sector managers thus have little ability to improve intra-sectoral allocations beyond the budget allocations. This reinforces the finding that MTEFs are not currently used to tackle third level expenditure management problems.

Support and training has been provided in six cases and three cases have developed MTEF training materials. Training, however, has not been ongoing. Typically it has been limited to the launch period or very limited in scope (development of sectoral strategies, for example). In some cases (South Africa) it has been ad hoc, responding to urgent problems as they arose. Fully one third of the reforms have been introduced without any training. Clearly this is an area that future reforms would do well to take more seriously, especially in terms of SEF development.
Figure 3 shows a great deal of variance between the cases along the organizational dimension. Uganda and South Africa come close to having a comprehensive organizational design, while Mozambique and Malawi fall short of the mark. Figure 3 suggests that the organizational dimension is the one most difficult to get a handle on for many countries.

This section has provided a detailed accounting of the general, technical, and organizational design features of nine African MTEFs, based on the typology developed in this paper. MTEFs can be characterized by three levels of development: basic/preliminary, intermediate, and comprehensive. The ratings are based on the data in Annex I. According to the ratings, the most comprehensive MTEFs are Uganda and South Africa. An intermediate group of MTEFs clusters around mid-range: Tanzania, Kenya, and Ghana. The less developed group at the low end of the scale consists of Malawi, Guinea, Rwanda, and Mozambique. While Uganda and South Africa are relatively close to having fully operational MTEFs, the majority of countries examined (more than three quarters) are quite far from successfully implementing MTEF reforms.

It would be useful to widen our lens for a moment to situate these findings on the development of MTEFs in the wider context of PEM reforms. According to the findings of a recent report on the quality of budget management in HIPC countries (World Bank/IMF, 2001), 22 out of 25 countries reviewed require “some” or “substantial upgrading” of their budget systems. With the exception of Uganda, five out of the six countries (Uganda, Guinea, Malawi, Mozambique, Rwanda, and Tanzania) reviewed in both the HIPC report and this paper require some or substantial upgrading. Furthermore,
as shown in Figure 4, the aspects of budget management most widely in need of upgrading are the quality of multi-year projections, budget execution, and auditing.

The HIPC report is important in this context for two reasons. First, it confirms our findings (albeit at a more general level) that MTEF implementation has been problematic. Second, it indicates that many countries that are launching MTEFs are doing so in the context of weak basic PEM systems, especially in the areas of execution and auditing. The picture that emerges is one in which weakly developed MTEFs are being grafted onto poorly performing PEM systems. These characteristics will undoubtedly have implications for the ability of MTEFs to attain their stated objectives. The next section takes up the task of a preliminary comparative analysis of the impact of MTEFs in the Africa region.

IV. THE IMPACT OF REFORMS IN THE AFRICA REGION

A. Preliminary Assessment

This section of the paper attempts to advance the discussion of MTEFs by undertaking a preliminary comparative assessment of reforms in the Africa region. Given the scarcity of available information, as well as the short time span of most of these reforms, this assessment is necessarily a preliminary one, though it is the first comparative assessment of MTEFs undertaken. As such, it also hopes to set out a framework for subsequent, and more comprehensive, evaluations.
Given data limitations (some countries with MTEFs, for example, do not produce regular expenditure execution reports), the assessment must also be limited in scope. Therefore, it will focus only on the intermediate (Kenya, Tanzania, and Ghana) and comprehensive (South Africa and Uganda) cases, as anecdotal information indicates that the basic (Mozambique, Malawi, Rwanda, and Guinea) MTEFs have not yielded appreciable improvements in public expenditure management as of yet. However, in Section V, all cases are discussed, including those with basic MTEFs, as their problems also shed light on how to improve MTEF design and implementation.

The assessment is both quantitative and qualitative. For the quantitative assessment, one case from each of the MTEF levels is chosen, Uganda from the comprehensive cases, and Tanzania from the intermediate cases (a limited analysis is also done on South Africa and Ghana). These cases were chosen based on the availability of data. The results and, therefore, the inferences made from this subset of cases about the larger set of MTEF countries will thus be biased, as the countries with better data may also be likely to perform better (on some measures). In addition a qualitative analysis of each of the five cases will be undertaken, based on data from interviews with country economists, published documents, internal Bank and government reports, and press accounts.

In order to assess MTEF impact, the objectives identified in Table 2 are used. Given data limitations, however, only a subset of outcome indicators—macroeconomic balance/fiscal discipline, resource allocation, and budgetary predictability—are examined. Efficiency and effectiveness in the use of public funds is not considered, given the previous finding that MTEFs have not addressed these issues in practice. When possible, a series of before and after comparisons were made for each of the expected outcomes for each case.¹⁶

B. Macroeconomic Balance and Fiscal Discipline

Perhaps the easiest indicator to measure is the fiscal balance (including grants), which is used here as a proxy for fiscal discipline.¹⁷ A pre- and post-MTEF comparison was done for the four most developed MTEFs in the region. Table 6 provides the results. While both South Africa and Tanzania show somewhat smaller fiscal deficits in the post-MTEF periods, the difference is not very significant when compared with the pre-MTEF period. The data provide no support for a link between the MTEF and reduced fiscal deficits.

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¹⁶ For Tanzania the pre-MTEF period was defined as FY95-FY98; the post-MTEF period was FY99, and, in some cases, annualized data for FY00 are also included.

¹⁷ A better assessment, though more data intensive, would be to compare the deficit targets with the actual deficits.
Table 5. Fiscal Deficit As a Percentage of GDP (including Grants), 1985-2000

<table>
<thead>
<tr>
<th></th>
<th>Pre-MTEF</th>
<th>Post-MTEF</th>
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</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>-6.39</td>
<td>-7.38</td>
</tr>
<tr>
<td>South Africa</td>
<td>-5.23</td>
<td>-4.57</td>
</tr>
<tr>
<td>Ghana</td>
<td>-7.11</td>
<td>-7.95</td>
</tr>
<tr>
<td>Tanzania</td>
<td>-4.02</td>
<td>-2.93</td>
</tr>
</tbody>
</table>

Source: LDB.
Note: Pre- and post-MTEFs calculated based on initiation dates in Table 4; Uganda and Tanzania data available only until 1999.

This analysis is, of course, simplistic; it does not control for other causal factors, such as unforeseen macroeconomic shocks, adjustments, or fluctuations in debt payments that might have undermined the MTEF. At the same time the analysis does not take into account potentially significant trends associated with the introduction of the MTEF. In Uganda, for example, both Moon (1997) and Bevan and Palomba (2000) argue that the MTEF has been successful in attaining macroeconomic stability: from 1992 to 1998 the fiscal balance improved annually. Bevan and Palomba (2000: 22-24) also show that expenditures (budgeted amounts as well as actuals) were carefully matched to revenues in order to manage the fiscal deficit prudently. Yet, while a more comprehensive analysis must be done, the preliminary results do not support the contention that these MTEFs, which are the most developed in Africa, are associated with greater fiscal discipline.

C. Resource Allocation

The cases do provide some limited support for the hypothesis that MTEFs are associated with reallocations of resources to government priorities. In the Tanzanian case the share of the recurrent budget (as a percentage of GDP) spent on social services increased from 3.6% in FY98 to 3.8% in FY99 and FY00 and is projected to increase to 4.0% in FY01 (based on annualized data). Comparing the actual increases in recurrent expenditures over an eight month period from FY98 to FY99 also shows a net increase of 8.5% in allocations to the five priority sectors. This increase, however, is less than one third of the increase (27.5%) that was supposed to occur according to the budget. Only in the education sector did the actual increase (14.6%) come close to the projected increase (13.8%). The health sector, which was supposed to receive an increase of 9.4%, actually suffered a decrease of 22.9%. Moreover, it is not clear that the increased social share should be attributed to the MTEF. In fact, the share to social services had increased in the pre-MTEF period as well. It might be that the same factor that “caused” the MTEF might also be responsible for increasing social sector allocations (political realignment, for example).

In the Ugandan case there is also some evidence that the MTEF has been associated with limited sectoral reallocation. The evidence is most pronounced in the case of education, which grew from 19.8% of total expenditures in 1994/95 to 26.9% in (actual outturns). Roads and works increased from 4.4% to 7.9%, while health expenditures, on the other hand, decreased from 8.0% to 6.7% over the same period. The

18 Pre- and post-MTEF data were not available for Ghana.
19 Sources: Tanzania 2001 PER (Table 12) and Aide Memoire 12/2000.
20 Total expenditures here and in Table 9 refer to recurrent and government-financed capital expenditures.
year-on-year picture shows that the reallocations have not necessarily been smooth. As Table 7 shows, increases in real terms have neither been steady nor consistent. The health sector, for example, was awarded with large increases from FY94/FY95 and FY97/FY98, yet also suffered large cuts in FY95/FY96 and FY96/FY97. As Bevan (2001: 14) argues, "Overall, the story of budget composition seems to be one of considerable, but not wholly reliable, achievement, with signs of real gains in the last year."

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY94/FY95</th>
<th>FY95/FY96</th>
<th>FY96/FY97</th>
<th>FY97/FY98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads and Works</td>
<td>-0.01</td>
<td>0.82</td>
<td>-0.30</td>
<td>0.50</td>
</tr>
<tr>
<td>Agriculture</td>
<td>-0.42</td>
<td>0.07</td>
<td>-0.19</td>
<td>0.01</td>
</tr>
<tr>
<td>Education</td>
<td>-0.06</td>
<td>0.36</td>
<td>0.15</td>
<td>0.23</td>
</tr>
<tr>
<td>Health</td>
<td>0.22</td>
<td>-0.15</td>
<td>-0.11</td>
<td>0.20</td>
</tr>
<tr>
<td>Security</td>
<td>-0.05</td>
<td>0.14</td>
<td>-0.22</td>
<td>0.60</td>
</tr>
<tr>
<td>Law and Order</td>
<td>0.09</td>
<td>0.04</td>
<td>0.00</td>
<td>-0.04</td>
</tr>
<tr>
<td>Economic Functions and Social Services</td>
<td>-0.31</td>
<td>0.22</td>
<td>-0.30</td>
<td>0.03</td>
</tr>
<tr>
<td>Public Administration</td>
<td>0.10</td>
<td>0.15</td>
<td>0.13</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: Bevan and Palomba (2000) and Ugandan government.

Contrary to the Uganda case, in which the problems with reallocation seems to have something to do with "a breakdown of budgetary scrutiny" (Bevan, 2001: 12), the Ghana case shows the breakdown occurring earlier in the process: there is a disjuncture between budget figures and MTEF projections, which means that the MTEF has not contributed to sectoral reallocation. For example, the 1999-2001 MTEF called for the following sectoral spending allocations (as a percentage of total discretionary recurrent expenditures): social services—30.8%, infrastructure—25.2%, and general administration—22.2%. The 2000 budget, however, reprogrammed the shares accordingly: social services—28.8%, infrastructure—16.4%, and general administration—34.9%. Though social sector budget allocations were quite close to the MTEF allocations, the infrastructure and general administration shares were quite different. Moreover, the sectoral share to social services actually declined from the 1999 budget figure of 30.4%.21

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South Africa’s MTEF fares somewhat better. As Table 8 indicates, there is a gradual reallocation taking place toward the national priority sectors as identified in the MTEF. Health, welfare, and justice have all increased their shares marginally over the period, while education has virtually remained constant.\textsuperscript{2} Defense has declined, also according to national policy priorities, while the other sectors have fluctuated, some rather drastically in relative terms (viz. administration and infrastructure).

Perhaps even more impressive has been the link between budgets and MTEF projections. With the exception of infrastructure and administration, the MTEF turned out to be quite a reliable guide to budget outturns in FY99, at least at the broad sectoral level. The correlations between the data in the three columns of Table 9 are all very high.

\begin{table}[h]
\centering
\caption{South Africa: Sectoral Spending as a Percentage of Total Actual Expenditures, FY97-FY99}
\begin{tabular}{|l|c|c|c|}
\hline
\hline
Education & 28.2\% & 27.9\% & 28.0\% \\
Health & 14.4\% & 14.5\% & 14.8\% \\
Welfare & 11.3\% & 11.4\% & 11.7\% \\
Defense & 7.5\% & 7.1\% & 6.4\% \\
Justice & 11.7\% & 13.0\% & 13.5\% \\
Economic & 6.6\% & 7.0\% & 5.9\% \\
Infrastructure & 14.6\% & 14.8\% & 12.8\% \\
Administration & 5.6\% & 4.4\% & 6.8\% \\
\hline
\end{tabular}
\end{table}

This preliminary analysis shows that MTEFs are associated with some level of sectoral reallocation, as evidenced by data from Tanzania, Uganda, and South Africa, the three most comprehensive MTEFs in the region. The reallocation, however, is partial. It seems that while the MTEF as a whole is not associated with the promised “whole of government” reallocations, or even reallocations to all priority sectors, it is associated with some reallocation to a subset of sectors (education in Uganda, health and justice in South Africa, social services in Tanzania). It may be that these MTEFs are only associated with reallocations to top priority sectors, which would suggest a much narrower scope for the MTEF in practice than envisioned at present. Moreover, in Ghana,\textsuperscript{22}

\begin{table}[h]
\centering
\caption{South Africa: Sectoral Spending as a Percentage of Total MTEF Expenditures, 1999/2000: MTEFs vs. Budget vs. Actual Executed Outcome}
\begin{tabular}{|l|c|c|c|}
\hline
Sector & MTEF (1998) & Budget & Actual Outcome \\
\hline
Education & 28.6\% & 27.5\% & 28.0\% \\
Health & 14.5\% & 14.8\% & 14.8\% \\
Welfare & 11.7\% & 11.5\% & 11.7\% \\
Defense & 6.7\% & 6.6\% & 6.4\% \\
Justice & 13.1\% & 13.0\% & 13.5\% \\
Economic & 5.5\% & 6.6\% & 5.9\% \\
Infrastructure & 13.8\% & 12.3\% & 12.8\% \\
Administration & 6.1\% & 6.3\% & 6.8\% \\
\hline
\end{tabular}
\end{table}

\textsuperscript{22} Education as a share of total expenditures, however, increased significantly from 21.4\% in 1994/1995; the reallocation to education thus predates the MTEF.
an intermediate MTEF, there is no evidence of resource reallocation in line with the MTEF's prescriptions.

D. Budget Predictability

An additional objective of MTEFs is to deliver greater budget predictability in terms of the match between budget execution results and approved budgets and MTEF projections. A useful indicator for assessing the match between execution and formulation is the budget deviation index (BDI), which is the sum of the absolute values of the differences between the approved budget and the executed budget expressed as a percentage of the approved budget (see Moon, 1997 and 1998). Table 10 presents ministerial non-wage recurrent expenditures for Uganda (at the level of vote) in terms of shortfalls, overruns, and total budget deviation (the sum of the two). The BDI, which is characterized by a high variance, shows no clear trend over the period. The data do show that the average pre-MTEF BDI (35.1%) is higher than the post-MTEF BDI (22.3%), though not by much. The same holds true for the comparison of average pre- and post-MTEF overruns: while the post-MTEF average is lower (6.0% versus 16.1%), the difference is not significant. The overrun data, however, are more indicative of a possible trend toward decreasing budget overruns, especially for 1997-1999. Thus, the Ugandan MTEF is not unambiguously associated with a lower BDI, though if one takes a long term perspective the numbers seem to be moving in the right direction.

Table 9. Uganda: Budget Deviation Index, FY1987-FY1999

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</tr>
</thead>
<tbody>
<tr>
<td>Shortfalls (%)</td>
<td>28.2</td>
<td>9.9</td>
<td>21.9</td>
<td>23.3</td>
<td>11.8</td>
<td>10.3</td>
<td>17.1</td>
<td>20.5</td>
<td>22.0</td>
<td>16.4</td>
<td>8.1</td>
<td>28.9</td>
<td>7.3</td>
</tr>
<tr>
<td>Overruns (%)</td>
<td>19.8</td>
<td>25.9</td>
<td>16.0</td>
<td>8.4</td>
<td>10.2</td>
<td>5.5</td>
<td>9.6</td>
<td>11.5</td>
<td>4.4</td>
<td>10.9</td>
<td>4.8</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>BDI (%)</td>
<td>48.0</td>
<td>35.8</td>
<td>37.9</td>
<td>31.7</td>
<td>22.0</td>
<td>15.8</td>
<td>26.7</td>
<td>32.0</td>
<td>26.4</td>
<td>27.4</td>
<td>12.9</td>
<td>29.5</td>
<td>7.8</td>
</tr>
</tbody>
</table>


Nor does the Tanzanian MTEF fare well in terms of budget predictability: a similar analysis shows that the MTEF had no appreciable impact. The BDI, disaggregated to the ministry/agency level, which averaged 33% during the pre-MTEF period (FY95-FY98), stood at 25% in the post-MTEF period (FY99). This apparent decrease, however, is minor. Calculating the BDI by both sectors (a higher level of aggregation) and individual budget items (a lower level of aggregation) produces similar results. Thus,

23 This BDI is thus calculated at a very aggregate level. Calculation at the program level, for instance, would likely show even more deviation.
24 This calculation is based on the following definition of pre- and post-MTEF periods, respectively: 1987-1991 and 1992-1999. Even if one redefines the pre-MTEF period as 1987-1994, on the grounds that the MTEF only began to focus on the sectors in 1995, the difference is still not significant.
25 The Uganda FY2001 PER: Final Report (2) reports some differences in BDI calculations: 11.4% (1998), 14.7% (1999), 9.4% (2000). Differences in results may be due to differences in the number of expenditure categories used and in the type of expenditures examined (non-wage recurrent, recurrent, total).
26 As Bevan and Palomba (2000) have pointed out, the BDI is subject to the level of aggregation at which it is calculated. As an alternative, they propose the "sector implementation ratio," which is the "ratio between sector spending as a percentage of total spending in the initial budget and in the final out-turns (29)."
there is no solid evidence that the MTEF improved budget predictability in Tanzania, even in the priority sectors.\textsuperscript{27}

This simple comparison of means does not provide evidence that MTEFs deliver greater budgetary predictability (and less deviation). The Ugandan and Tanzanian cases, among those with more developed MTEFs, demonstrate a continued breach between budget formulation and execution. Though it would be unwise to speculate based on these two cases, there is little cause to be sanguine about the effect of MTEFs on budget predictability in the less developed MTEF cases.

E. Greater Political Accountability for Public Expenditure Outcomes

The preceding analysis is based on an assessment of the more technical objectives of an MTEF. An exclusively technical focus, however, is inadequate to assess the complex set of reforms that comprise a MTEF. The MTEF, by virtue of its design, is based on change in central budgetary decision-making processes. As a result of the MTEF, the budgetary decision making process should become more accountable, legitimate, and credible. Political accountability should increase at both the political and managerial levels through greater transparency. The MTEF forces politicians to be upfront about their priorities, as well as their willingness to fund them. At the same time, sectoral managers may also be held more accountable to produce results because their intra-sectoral priorities and resources are well specified in the context of the MTEF. In essence, the MTEF should put the numbers “on the table” in a way that allows for greater scrutiny by civil society and the private sector (though this is ultimately contingent on publishing budget execution data). Furthermore, the MTEF should yield greater legitimacy to the PEM process by facilitating cooperative and consensus-based decision-making (this was one of the outcomes explicitly stressed in the South African case).\textsuperscript{28}

Based on the cases, a preliminary assessment of the impact of MTEFs on accountability is undertaken. These results, necessarily subjective and incomplete, should be considered as a basis for further research. One basic indicator of accountability is whether the MTEF is published and made available to the public. If it is not published, it runs the risk of being merely an internal, technical document. Currently, MTEFs are published in Uganda, South Africa, Tanzania, Ghana, and Kenya. Publication of the MTEF brings with it the possibility that civil society would play a greater role in the PEM process. Moreover, in countries such as South Africa and Kenya, where the MTEF must be approved by parliament, the MTEF’s profile is raised considerably (see box 2 below).

In Tanzania the PER Consultative Meetings, the minutes of which are published with the PER, has provided an excellent forum for discussion and debate of resource allocation issues. It seems that the MTEF has helped foster debate by literally “putting the numbers on the table.” Participants have observed that some sectors and sub-sectors are not given the proper “weight” and that other sectors are not given proper priority status (see Box 2). The MTEF has therefore fostered transparency and has generated calls

\textsuperscript{27} Authors’ calculations based on Tanzanian government sources.

\textsuperscript{28} 1998 Budget Speech, cited in World Bank, 1998a: 34.
for greater transparency. The last consultative meeting called for private sector representation not only in sectoral working groups, but in the macroeconomic group, which is responsible for the global budget framework.

There is some anecdotal evidence that publication and dissemination of MTEFs have led to greater civil society involvement in PEM issues. The MTEF seems to be providing a mechanism (forum) for taking civil society perspectives into account. In some countries, including South Africa, Kenya, and Tanzania, the MTEF is clearly raising expectations. Whether they are met, of course, is another matter entirely. Still, the potential impact of raising expectations might play a catalytic role in reinforcing the MTEF process from outside the government.

Box 2: Civil Society Involvement in PEM Issues through MTEFs in Africa

**South Africa:** The need for the MTEF to be approved by parliament occasioned public hearings on the MTEF. COSATU, the South African trade union, submitted comments on the MTEF to the Select Committee on Finance in 2000. According to COSATU, “The MTEF process has potential advantages in that it aims to cost major strategies and policies, to improve the public understanding of fiscal policy aims and allocations, and to give departments more stable allocations as an aid to medium-term planning... We note that some improvements have been effected in making the budget process more transparent and in opening up more opportunities for public comment in the course of the budget cycle” (COSATU, 2000). The trade union goes on to argue that much more needs to be done, however. In addition, the South African Chamber of Mines expressed satisfaction with the MTEF: “We are especially heartened by the government’s clear commitment to fiscal policies based on multi-year budgeting in the MTEF... This should go a long way towards building a macroeconomic climate that will generate greater stability and certainty and, thereby, encourage the levels of investment this country so sorely needs” (Woza, 1998).

**Kenya:** At least one Kenyan NGO expressed on-line approval at the MTEF-inspired initiative to include civil society representatives in the budget formulation process. “That the Kenyan government has invited the civil society to help in budget formulation is indeed historic. For a long time, budget making has been a highly inaccessible process. It has been a process that belongs to the adepts, those who are most learned in its arts and precepts, and practices” (www.web.net/~econews/budget.html).

**Tanzania:** The MTEF, through the PER consultative meeting process, has generated debate about spending priorities. For example, one participant at the PER FY00 Consultative Meeting (May 2000) observed, “Rural roads are not given weight in the Roads MTEF. A paper on the rural roads is missing.”

The PEM process also becomes more accountable when technical, professional expertise is brought to bear on it. In several cases examined here, including Tanzania and South Africa, the working groups that produce the MTEF include civil society representatives, some of whom are experts in their fields. Opening up the decision making process to experts has the potential to make it more accountable to professional criteria and less responsive to political calculations. Once again, the extent to which politicians respond to these pressures for greater accountability generated by MTEFs remains to be seen, but there is some indication that MTEFs, if designed properly, may be successful in building some pressure for greater accountability in the PEM process.
F. Increased Credibility of Budgetary Decision Making

Lastly, the MTEF should lend greater credibility to budget management. With better data and hard aggregate and sectoral budget constraints, the budget itself should become more credible. The paper does not examine whether MTEFs increase budget credibility in these cases, given the previous finding that MTEFs have not yet increased predictability, which is considered a prerequisite to credibility.

In fact, however, the issue of credibility is fundamentally a political one. According to the *PEM Handbook*, the MTEF is necessary, in part, to “restrain strategic decision making” (35). There is an implicit sense that politicization of public expenditure management is at the root of the problem and that decision makers (viz., politicians) need to be restrained by “…enforcing (on them) a set of procedures that enhance (sic) the rigor of decision making” (35). Essentially, if the MTEF can restrain decision-making, then the budget process would become more credible. The MTEF is thus intended to increase the credibility of the PEM process. Using the MTEF, a technical-institutional tool, as a solution for a fundamentally political problem is an issue that has not yet been sufficiently explored, though doing so might shed a great deal of light on the difficulties associated with the experience of MTEFs in practice.

G. Summary

The limited quantitative evidence shows, thus far, that MTEFs are not yet unambiguously associated with their objectives (see Table 11). In terms of macroeconomic balance, with the possible exception of Uganda, there is no evidence that MTEFs have made a significant impact. In terms of resource allocation, there is some limited and qualified evidence to suggest that MTEFs are linked to reallocations to a subset of priority sectors. With respect to budgetary predictability and consistency, there is no support for the assumption that MTEFs are associated with greater discipline and less deviation. At best, then, these cases present a mixed picture.

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29 The issue of credibility in PEM is recognized as a problem in the literature. See, for example, World Bank 2000 (11): “Strengthening budget management involves increasing the credibility of public budgeting.”
Table 10. Summary of Preliminary Impact Assessment of MTEF Reforms in Africa

<table>
<thead>
<tr>
<th>Expected Outcomes</th>
<th>Actual Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improved macroeconomic balance, especially fiscal discipline</td>
<td>• No clear empirical evidence of improved macroeconomic balance</td>
</tr>
<tr>
<td>• Better inter- and intra-sectoral resource allocation</td>
<td>• Some limited empirical evidence that MTEFs are associated with reallocations to subsets of priority sectors</td>
</tr>
<tr>
<td>• Greater budgetary predictability for line ministries</td>
<td>• No empirical evidence of link between MTEFs and greater budgetary predictability</td>
</tr>
<tr>
<td>• More efficient use of public monies</td>
<td>• No evidence that MTEFs are developed enough to generate efficiency gains in sectoral spending</td>
</tr>
</tbody>
</table>

At the same time, there are a number of possible explanations that might mitigate the weak performance to date. For one, MTEFs in the Africa region are still relatively young as major reforms go (with the exception of Uganda). MTEFs in South Africa, Ghana, and Tanzania are all less than five years old. It may be that this type of comprehensive PEM reform needs to be developed over the long term. If that is the case, it would be premature to judge any of these MTEFs, except possibly Uganda. However, the Ugandan MTEF, which is nearly a decade old, does not reveal a one to one correlation between impact and longevity. The Ugandan case does present some favorable trends, however, which, if they continue, will put the MTEF in a better light. The Ugandan case might also suggest the tentative hypothesis that MTEF reforms take a minimum of a dozen years.

Second, the apparent lack of progress evident in these cases should not necessarily be attributed to problems with the MTEF. Many other and varied exogenous factors, from economic crises to natural disasters, could bear some responsibility. Clearly, the picture is more complex. Still, it would be quite a coincidence if exogenous factors were responsible for all the shortcomings of the MTEFs in all the cases examined.

Third, and most importantly, because the data are limited and incomplete, this assessment should be regarded as preliminary. A much more systematic, comprehensive analysis, controlling for other factors, would have to be undertaken before solid conclusions could be drawn. Still, it is safe to say at this point that the MTEF in its first years of existence has not had an overwhelming impact on PEM in Africa.

V. CONCLUSION: PRELIMINARY LESSONS AND RECOMMENDATIONS

Despite the caveats mentioned in the previous section, the preliminary conclusion that emerges from this paper is that MTEFs alone cannot deliver improved PEM in countries in which other key aspects of budget management remain weak. The preceding analysis suggests three reasons for the breach between the promise of MTEFs and their actual impact. First, and most importantly, MTEF reforms have not taken sufficient
account of initial country conditions in basic aspects of budget management, notably budget comprehensiveness, execution, and auditing. The fact that comprehensive, detailed diagnoses of budget management systems and processes did not precede all MTEFs led to inadequate design and sequencing of the reform programs. Second, MTEF reforms, with the exception of a few cases, have typically not paid sufficient attention to the political and institutional aspects of the reform process. Third, operational MTEFs do not closely resemble their textbook cousins, which raises questions about the feasibility of launching full-fledged MTEFs in many developing countries.

These preliminary conclusions suggest that while one should recognize that MTEFs are potentially valuable PEM tools, they should be recrafted so as to make them more effective. This section presents a set of detailed conclusions paired with recommendations for improving MTEF design and implementation. Indeed, since the effort to recraft MTEFs is already underway (see, for example, the recent World Bank debate on MTEFs\(^\text{30}\)), this section will take existing prescriptions into account as well.

A. The Importance of Initial PEM Conditions and Reform Sequencing

We suggest that the MTEF, in order to work, must rest upon a good macro-fiscal model and a solid budgetary management foundation. Good, realistic macro-fiscal projections are key to the success of an MTEF. In this respect the renewed effort of the Bank to improve its macro-modeling toolkit (Macro-Micro Link) for our client countries is essential to improving the quantification (costing) of PRSPs. This effort to improve macro-fiscal projections is necessary but not sufficient. Moreover, the effort should not result in a “technification” of the reform program due to an unbalanced focus on the technical aspects of macro-fiscal modeling.

The MTEF should also rest upon a solid budget foundation, which would encompass many elements, though chief among them is budget execution that complies with the adopted budget. Consistency between the budget and its execution is a precondition for transparency, predictability, and accountability. In a country where budget execution (i.e., actual expenditure) bears little resemblance to the voted budget (i.e., the intention to spend by sectors, functions, and programs), an MTEF is not likely to be taken seriously by sector ministers, nor by parliamentarians, nor by civil society. For example, why should sector ministries spend their time and resources working on strategies and budget envelopes that will have little to do with reality because real allocations are done in parallel throughout the year?

The lack of consistency between formulation and execution is illustrated in both Malawi and Mozambique, countries in which there are large differences between budgeted and executed expenditures. For example, in Malawi the health sector was budgeted 20.7% of the development budget, though it only actually received 3.6% of the executed budget (World Bank/Malawi, 2001: 8). In Mozambique the education sector received 21% more (in nominal terms) than was budgeted in 1999, while the agricultural

\(^{30}\) See footnote 2.
sector received 49% more than budgeted (World Bank/Mozambique, 2001: 17).\(^{31}\) Ghana’s MTEF, which in its initial phase seemed promising, is losing credibility over the unpredictable release of funds and the lack of monitoring of budget execution outcomes. Hence a key issue is the credibility of the annual budget: execution must be consistent with the voted budget.

Moreover, the importance of the link between the budget and its execution has been identified in other contexts as well. Suggesting an agenda for PEM reform in the HIPC countries, the Bank/IMF report (World Bank/IMF, 2001: 19) says: “While improved capacity in budget formulation may be less difficult to achieve in the short term, it may prove ineffective unless accompanied by reforms in budget execution and reporting that are more difficult to achieve. The results thus suggest that there is a somewhat greater immediate need to strengthen budget execution and reporting, rather than budget formulation.” Our analysis in this paper concurs with these findings. On the other hand, some have argued that better budget formulation will lead to improved budget execution. While this is also true, it is clearly not a sufficient condition and should not prevent reformers from focusing on getting the basics of budget execution in order.

Laying the foundation thus means strengthening budget execution procedures. It also means strengthening the role of both internal and external audit agencies. At a basic level it means the publication of quarterly budget execution reports using the same classification as the one presented in the budget and the publication of external audit reports, both of which should be underpinned by sanctions against misappropriations of resources. Indeed, these measures could be taken as indicators of a government’s real political interest in improving budget execution.

Moreover, other key elements of basic budgetary management also impinge greatly on the potential success of the MTEF. Budget comprehensiveness, that is, the extent to which the budget takes account of all public expenditures, including donor funds, off-budget accounts, and user fees, matters a great deal for the relevance of the MTEF. If large proportions of public resources and expenditures are left out of the budget, the MTEF can only be of limited value. For an MTEF to have an impact, the problem of budget comprehensiveness must be addressed.

This discussion of good PEM practices should not be taken as exhaustive, as there are a number of other basic reforms that should be in place before or during MTEF adoption. Integration of the capital and recurrent budgets, detailed, functional budget classification systems, and good treasury management systems are three such examples.

**Recommendation: Lay the foundations**—*The MTEF should be seen as a complement to, not a substitute for, basic budgetary management reform.* Before launching an MTEF reform a comprehensive and detailed diagnosis of the most important PEM problems should be prepared, as is being done in the new generation of PERs. Based on this diagnosis, reforms of budget classification, formulation, comprehensiveness, execution, controls and audit, and transparency should be undertaken. That is, the

\(^{31}\) Some percentage of these discrepancies may be due to the inconsistent use of data on donor funding in the formulation and execution phases.
introduction of the MTEF reform should then be tailored to the country based on these initial PEM conditions and the prescriptions for their reform. For example, in a country with weak PEM systems, a full-fledged MTEF should not be introduced. Rather, it would be preferable for the government to engage in a comprehensive and in-depth reform of basic PEM systems—focusing on budget comprehensiveness, execution and reporting—while at the same time introducing some of the basic components of an MTEF, starting with realistic three year macroeconomic and fiscal projections.

B. Sequencing and Phasing the MTEF Reform

While the previous section addressed the issue of overall PEM reform sequencing and the place of MTEF reforms in the larger picture, this section deals with the issue of how to sequence or phase in the MTEF reform itself. The cases show that in practice all MTEFs have been implemented in both a phased (in terms of the technical dimension) and piloted (in terms of scope) manner, either intentionally or unintentionally. Capacity constraints as well as initial conditions and operational experience call for revisiting the issue of how to phase in and pilot MTEFs.

Formally, both South Africa and Kenya introduced the MTEF on a government-wide basis, while Tanzania and Rwanda used a pilot approach by beginning with a subset of priority sectors (Mozambique used a hybrid approach: sectors with pre-existing integrated programs were responsible for producing SEFs while the MOF shared responsibility for SEF development with the other sectors). Kenya formally implemented the MTEF across all sectors and levels, but some ministries did not present any costings at all while others presented incomplete costings. Rwanda explicitly phased in the level of rigor of the MTEF. In 2000, sector missions and objectives were developed, in 2001 costings will be undertaken, and in 2002 the recurrent and capital budgets will be integrated. In fact, however, in the cases examined here the government-wide approach has in practice turned into a pilot approach because some sectors simply do not, or are unable to, participate in a meaningful way (some sectors essentially opt out of the MTEF by producing very low quality SEFs). The problem of the quality of sectoral inputs (statements of objectives, strategies, and program costings) was present in all nine cases.

Similarly many MTEFs were phased in over time. Moon (2001) points out that in Uganda the MFF was developed over a three-year period (1992-1994) and the SEFs were developed afterwards (1995-1997). In Mozambique the first phase of the MTEF saw the estimation of aggregate resource availability, while the second phase focused on sectoral expenditures. Similarly, Malawi also adopted the Uganda approach by first focusing on the MFF and later developing the SEFs.

There are two important issues here: piloting (horizontal, i.e., across sectors) and phasing (vertical, i.e., across MTEF levels—aggregate, sectoral, and service delivery). The cases show that de facto all MTEFs have been both piloted and phased, operating in a limited number of sectors (horizontally) and levels (vertically). This means that implementation strategies have to be explicit about what they expect and when. In
countries with weak capacity, a full-fledged MTEF, which is a package of bundled reforms, cannot be introduced all at once.

This raises the question of how the MTEF reform should be both piloted and phased. In terms of the former, this does not mean, however, that the pilot approach should be followed explicitly. There are benefits to requiring that all sectors develop some kind of SEF, even at a rudimentary level (the issues of prioritization and planning are discussed, an aggregate view of resource availability is promoted, etc.). For example, sectoral allocations in Ghana were subject to more scrutiny as a result of MTEF-inspired discussions and debates about goals, activities, and outputs. To the extent that the MTEF is about changing the way governments think about budgeting, there are benefits to involving all sectors, at least at some level, in the reform. One way to handle the difference in the quality of participation is to set different standards for SEFs. Consider a three tier system: Tier 1, in which the high priority sectors develop objectives, strategies, and realistic costings; Tier 2, in which mid capacity/mid priority sectors develop objectives, strategies, and rough cost estimates; and Tier 3, in which low capacity ministries engage in training in MTEF development. The MTEF approach needs to be explicit about the different level of capacity that exists at the sectoral level while not confining the MTEF to only a few sectors, which undermines the fundamental notion of the MTEF. At the same time the MTEF strategy needs to facilitate sectoral participation by providing necessary training and support.

In terms of the phasing of the MTEF across the three levels (aggregate, sectoral, and service delivery units), countries have tried different strategies with different results. Some countries have attempted to introduce a full-fledged MTEF (from a sophisticated MFF to performance agreements with service delivery units) all at once. Capacity constraints limit the feasibility of this option. At the other extreme some countries have launched an MTEF focusing only on the MFF. By launching an MTEF reform, and then focusing only on the MFF, a country risks undermining the reform effort by technifying it and excluding other relevant sectoral actors. Moreover, though the MFF is critical for the success of the MTEF, the MFF does not need to be highly sophisticated in the initial stage, especially if the projections are done conservatively. For example, a country might use the IMF macroeconomic and fiscal framework to begin the MTEF reform process, developing its MFF over time. By putting too much emphasis on developing the MFF, the MTEF itself risks losing focus and balance.

**Recommendation: Adapt the reform to existing capacity.** In terms of sequencing, the MTEF should be piloted in across sectors according to their levels of capacity but phased in through the MFF and the SEFs at both the aggregate and sectoral levels in order to institutionalize the process. The MTEF should be phased in by concurrently focusing on the macro/fiscal and sectoral levels. That is, the MFF should be developed in tandem with the SEFs, which ideally should be phased in starting with sectoral strategies and objectives (based on sectoral and economic research) and subsequently moving to costed programs. The exact specifications will vary from country to country, depending on the country's administrative capacity and initial PEM conditions.
C. Key MTEF Management and Design Issues

There are also a number of managerial aspects of MTEF reform that need to be revisited. These include: the integration of the MTEF with the existing budget process (including approval and dissemination), the design of MTEF management structures, and MTEF standardization.

*Integrating the MTEF with the Existing Budget Process*

Many countries have experienced problems integrating the MTEF with the existing budget process. Numerous problems have resulted from launching the MTEF as parallel to the existing budget process. In Tanzania the MTEF, which is viewed as an “anchor” to the budget process, at one point operated in parallel with the budget, which led to the production of two sets of budget numbers (the budget guidelines and the MTEF), which caused confusion and undermined both processes. This experience was viewed as unsatisfactory and, in 2000, Tanzania has moved toward integration of the two. In Rwanda, in 2000, problems with the budget process caused the MTEF to be squeezed into a six-month period. In 2001 Rwanda intends to replace the budget with the MTEF. In Mozambique the MTEF is not fully integrated into the budget process, and timing problems limit the participation of sectors in the MTEF process. In the case of South Africa the MTEF was merged with the old budget process as a new MTEF-based yearly budget process was established. The MTEF is presented as part of the Medium Term Budget Policy Statement, which is a preliminary statement of the budget plus projections and is published three months before the budget. This reduced confusion and helped focus attention and resources on the MTEF.

As the building blocks of the MTEF are developed, they should be built into the budget process from the start; there should not be parallel budget and MTEF processes. The issue of careful and proper sequencing would thus take on even more importance and would undoubtedly be one of the most challenging aspects of the reform. The issue of timing is very important here, especially in the first year of the MTEF. Slippages and unrealistic timetables could marginalize the MTEF in its first years of operation.

A related issue is the process by which the MTEF is issued, approved, and disseminated. If the MTEF is part of the budget presentation and adoption, then the issue is moot. If not, the way in which the MTEF is issued and approved matters. In South Africa the MTEF, as part of the Medium Term Budget Policy Statement, is issued by the minister of finance (with a foreword by him) as a public document, which gives it a high profile. In Kenya the MOF issues the MTEF, which is then approved by cabinet and sent to parliament. Requiring approval by cabinet and parliament should increase the importance of the MTEF and provide incentives to take it more seriously. In Tanzania the MTEF is issued as Volume II of the annual PER, which is issued by the PER Working Group, which includes governmental, donor, and academic representatives. The openness and high level of participation (including civil society) in the PER process ensures the MTEF a high profile status. What may be lacking, however, in the Tanzanian model is high-level political endorsement of the document. In Mozambique the ministry
of finance issues the MTEF, but it is not given high priority; rather, it is treated as an internal technical report and is not publicly available.

The MTEF needs to make the transition from an internal, technical document to a public, politically backed plan. In order to accomplish this, the MTEF should be formulated with the active involvement of the cabinet all along the way, subject to high-level political approval, and issued with the backing of the cabinet, including the minister of finance. One effective way to do this is to issue the MTEF as a chapter in the budget and present it as an integral part of the budget speech. In addition, inviting civil society representatives to comment on the MTEF should be made a priority.

**Recommendation: Integrate the MTEF with the existing annual budget process.** The key elements of the MTEF should be integrated with the existing budget process from the start, with the approved budget effectively constituting the first year of the MTEF. The MTEF should not operate as a parallel system. The MTEF outer year projections should also be issued by the minister of finance to the cabinet and published as part of the budget document.

**The Design of MTEF Management Structures**

The design of MTEF management structures, which has not received sufficient attention, varies across the cases, though most countries use a combination of existing and *ad hoc* management structures. The cases indicate that the budget office alone cannot handle the formulation of the MTEF. Rather, it seems than an overlapping set of organizational actors is better positioned to promote the MTEF’s adoption. In South Africa, perhaps the example of the thickest organizational environment, the MOF’s Budget Office manages the MTEF process, though the Department of State Expenditures (DSE), which evaluates sectoral budget planning submissions, also plays an important role. The DSE makes recommendations to the Medium Term Expenditure Committee (MTEC), which is composed of the minister of finance as well as high-level civil servants from DSE and MOF. This high level joint ministerial group makes recommendations on sectoral budget submissions and also evaluates MTEF review team reports, which investigate selected sectoral issues in detail (the review teams are composed of sectoral specialists, consultants, and treasury officials). Then the Ministers’ Committee on the Budget evaluates the output of the MTEC before submission to cabinet (the committee serves as cabinet’s technical and political monitor).\(^{32}\) Using existing managerial structures (MOF, DSE, and the cabinet committees) as well as special committees and teams dedicated to the MTEF seems to provide a stronger management structure. In the South African case, the existing and specialized structures with clearly defined responsibilities overlap and reinforce one another, increasing the accountability of individual actors. In Mozambique macroeconomic and expenditure working groups, which did not include sectoral representation, initially managed the process, though were later replaced by the technical advisory office and the budget office; shifting

\(^{32}\) For an excellent analysis see Walker and Mengistu (1999).
responsibility from *ad hoc* to permanent units does not seem to have helped with implementation.

In Tanzania the MTEF is managed through the PER Working Group (WG), which is under the leadership of the MOF's Deputy PS. The PER WG has MTEF sub-groups: the macro group and the sector groups. As the PER WG is participatory, so are the MTEF groups, which include representatives of the donors and academia, as well as the government.

Management structures can make a difference in implementation. The South African and Tanzanian cases provide innovative options for MTEF management. In South Africa existing ministries, both sectoral and central, are chiefly responsible for the MTEF, but overarching MTEF-specific committees pull the process together, reinforce responsibilities, and provide for checks on the ministries. The management design seems able to move the process forward from the technical to the political. The Tanzanian case, which is quite different from the South African one, is interesting because the MTEF process is managed by the PER WG, which is run by the MOF. In this case the emphasis is on broad participation throughout the development of the MTEF and reliance is almost exclusively on working groups. It seems that the participatory nature of the working group structure makes key managers more accountable by exposing them to the scrutiny of external actors within their working group and of other working groups. The fact that the MTEF is presented in an open forum, the minutes of which are publicly available, reinforces managers' incentives. In both the Tanzanian and South African cases there are institutional mechanisms to increase pressure on key managers to deliver. In Kenya the arrangement may be less successful because there are no MTEF-specific units to hold the working groups responsible. Sectoral participation in the working groups is also important, as the success in South Africa and the failure in Mozambique show. Sectors need to be given meaningful roles in the process, as equals with their MOF counterparts.

In some countries the existence of PRSPs means that the MTEF will have a slightly different role to play. The management structure of the MTEF could piggyback on existing PRSP structures (for example, working groups) and work programs. Given a good PRSP, MTEFs can incorporate strategic objectives and direction from the PRSP and focus the SEFs on program costings. In countries without PRSPs, however, MTEFs will have more work to do on sector objectives and strategies.

**Recommendation:** Actively manage the MTEF reform as an integrative process. Though the MOF should have ultimate responsibility, MTEF implementation needs to be managed by a set of overlapping, mutually reinforcing organizational actors, some of which should be specifically established to handle the MTEF. Though each country's budget management process is distinct, and so each MTEF management structure will have to be designed accordingly, the African cases suggest that these reforms should be managed by a combination of existing departments and new MTEF-specific units in order to provide the support necessary for implementation. In countries with PRSPs, the MTEF management structure should be integrated with existing PRSP units and committees.
Standardization of the MTEF

Standardization of the MTEF components, chiefly SEFs, also matters. The process of MTEF formulation needs to be standardized not only in terms of organizational structure but also in terms of sectoral outputs. In South Africa the MTEF review teams, which operate at the sectoral level, include ministerial representatives, provincial representatives, consultants, and treasury officials. The benefit is that ministries are not left to their own devices. Moreover, the DSE’s Manual on Financial Planning and Budgeting exhorts specific, standardized inputs to the MTEF process. This, of course, does not mean that all sectors comply; they do not. But it does mean that sectors can be held accountable to a transparent standard. This is also beneficial to the sectors, as it provides guidance for their inputs. In Mozambique the lack of a standard complicated the process, as some ministries presented costs at very general program levels, while others presented them according to the ministry’s organizational structure (ministries also use their own expenditure classification systems, which are not always consistent with the national budget classification system). In Tanzania some ministries did not initially prioritize expenditures within their sector plans, and some sectors included missions and objectives while others did not. During the second year of the MTEF, however, guidelines were issued and sectoral plans became more standardized.

**Recommendation:** SEFs should be developed according to centrally agreed upon guidelines, which should be published, and a realistic timetable, based on capacity constraints.

D. The Relevance of the Political and Institutional Dimensions

Most MTEF reform efforts in Africa have focused on the technical to the detriment of the political and the institutional. The political and institutional dimensions seem to be a persistent blind spot in most MTEF reform programs, which is perhaps not surprising given that this dimension has been a blind spot in the Bank’s PEM work. According to Kostopoulos (1999: 2), “three quarters of the PERs (surveyed in the Africa region) did not have any analysis of the incentives underlying the budget process.”

Political motivations for launching MTEFs clearly matter. In South Africa the MTEF was motivated by the politics of democratic transition; the need to deliver required greater control over the budget process. High constituent expectations had motivated politicians to care about resource allocation, efficiency, and effectiveness. The MTEF thus had political support from the beginning. In Uganda it is widely recognized that presidential support plays an important, though sometimes contradictory, role in explaining the relative success of their MTEF. In Mozambique, however, the motivation was more technical and included the need to estimate the cost of civil service reform and take into account existing integrated sectoral programs, which put some donor pressure on the government to have a medium term resource allocation plan. In many of these cases the Bank played a major role in the introduction of MTEFs. Political support for MTEFs undoubtedly varied across these cases and explains why the MTEF was more successful in some countries than in others. Some reforms were “owned” by countries;
others were not. Failure to appreciate the political and institutional dimensions of MTEF reform has been one of the major shortcomings of the approach in many countries.

The MTEF, as a major PEM reform, will generate winners and losers, and therefore support and resistance. Future work on the political dimension of MTEF reforms, including the underlying political and bureaucratic incentives to support the reform and the impact of the reform on decision-making dynamics, is needed. This paper, as a desk review, is ill-placed to address these important questions. Nonetheless, some initial appreciations may be made. Perhaps the most significant political problem is that a credible MTEF would have the disadvantage of tying the politicians’ hands, thereby reducing their discretionary powers. Once an MTEF is prepared, politicians may find that they have incentives to do otherwise than comply with the indicated resource allocations. If, however, the MTEF had been arrived at through a broad consultative process, and if the results were regarded as legitimate and desirable, legislative and public pressure might dissuade the executive from moving too far away from the MTEF. The Ghana case suggests, for example, that in spite of a promising start the MTEF is being undermined by politically motivated in-year resource reallocations, which stem from the fact that the government did not obtain a political mandate for its initial budget allocation decisions.

Political considerations also influence what might be thought of as “technical” aspects of reform. Take the case of revenue estimation. Incentives for politicians to overestimate future revenues are strong because in the context of budget deficits, overestimation enables politicians to postpone hard decisions to reduce expenditures from the budget formulation to the execution stage. It is easier to accommodate the many requests of parliamentarians and vested interests on paper than in reality. In many countries, these incentives explain why countries adopt “cash budgeting” or “sequestering” mechanisms, in which monies are allocated on a monthly basis, depending on actual revenues. Although these mechanisms ensure a minimum of macroeconomic discipline, they are deleterious to the transparency, predictability, efficiency, and effectiveness of sectoral resource management, thereby undermining the importance of the budget and the MTEF.

The bureaucratic incentives of central and sectoral ministries to participate in MTEF implementation also play a critical role; they therefore must be carefully addressed and managed on a case-by-case basis. Both the incentives of ministries of finance and sectoral ministries deserve careful scrutiny. The fact that political and bureaucratic players have real incentives to either support or resist the MTEF reform should be acknowledged up front.

In the case of sectoral ministries, their decision to implement the MTEF will depend to a large extent on their cost-benefit calculus. The benefits of MTEF reform, which include greater resources for priority sectors and more resource predictability, must be adjusted by the probability of their coming to fruition. These expected benefits must then be compared with the costs of the reform, which include scarce staff time and resources. If the MTEF process itself were not credible, sectors would rightly judge the expected benefits to be low, and thereby informally opt out of the reform. This simple decision rule may explain why, in many cases, sectoral ministries have not participated
fully in the MTEF process. The benefit-cost calculus would look even worse from the perspective of non-priority sector ministries, which would stand to lose resources in relative terms (non-priority programs within priority sectors would also stand to lose). Thus, while the lack of capacity undoubtedly also played an important role, the lack of hard incentives to participate should not be overlooked. The cases demonstrate that sectoral ministries in many countries did not regard the MTEF’s promised benefits as credible, though they did believe the costs would be real. Faced with certain costs and uncertain benefits, many sectoral ministries defected from the reform.

In order to promote MTEF reform, therefore, explicit attention should be paid to finessing sectoral ministries’ decision rule to the extent possible. This suggests three general possibilities (given the variables in the decision rule). The probability of the reform actually coming to fruition could be increased. Here the president and cabinet could play an important role in making a credible commitment to line agencies that the MTEF will be adopted and executed as planned. There is less room for increasing the benefits of the reform, as the sectoral allocations are determined *ex ante*, though two possibilities should be considered. First, to the extent that predictability was increased, sectors would have higher expected benefits. Second, allocating some portion of donor funding through the PRSP process on the basis of the quality of SEFs could provide hard performance-oriented incentives for sectoral ministries.

In some cases ministries of budget and/or finance were not interested in supporting the MTEF, also because their incentives were not right. In Mozambique, for example, the MOF, which micromanages the budget allocation process, did not demonstrate enthusiastic support for the MTEF reform, which would have reduced its ability to micromanage resource allocations. This may be due in part to inadequate sectoral participation, though sectoral participation may also languish due to excessive MOF control (these problems are two sides of the same coin). In Kenya the first MTEF attempt failed because of lack of support from the budget office. These cases show that it would be wrong to assume that all MTEF problems lie with the sectors; ministries of finance share some of the blame, and proactive strategies to give them positive incentives to participate merit explicit attention. Moreover, when a planning commission or ministry exists, it should play a well-defined role in the MTEF process, because it might bring with it the skills (e.g., policy analysis) and interests that would otherwise be lacking.

**Recommendation:** The political and institutional dimensions of MTEF reform must be explicitly addressed if the reform is to go forward. Bureaucratic incentives to support the MTEF must be taken into account and addressed by specific measures to increase the overall credibility of the reform. Though specific measures will vary, depending on the context, reformers would do well to build in positive incentives for implementation. Further research on the political dynamics of MTEF reform would be potentially very useful and should be undertaken.
## ANNEX I  MTEF COUNTRY CASES

### Table 1.: MTEFs in Africa: General Design Features

<table>
<thead>
<tr>
<th>Country</th>
<th>Scope</th>
<th>Format</th>
<th>Government Levels</th>
<th>Length of Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>• Nominally all sectors included</td>
<td>• Economic, functional, and organizational classifications</td>
<td>• Primarily central (though some extension to sub-national level)</td>
<td>• Three years</td>
</tr>
<tr>
<td></td>
<td>• Both recurrent and capital included</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guinea</td>
<td>• Seven sectors (education, health, rural development, roads, justice, urban development/housing, social affairs) included</td>
<td>• Economic and functional classifications</td>
<td>• Central only</td>
<td>• Three years</td>
</tr>
<tr>
<td></td>
<td>• Only recurrent included</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Kenya</td>
<td>• Nominally all sectors included</td>
<td>• Economic, functional, and organizational classifications</td>
<td>• Central only</td>
<td>• Three years</td>
</tr>
<tr>
<td></td>
<td>• Both recurrent and capital included</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>• Nominally all sectors included</td>
<td>• Functional classification</td>
<td>• Central only</td>
<td>• Three years</td>
</tr>
<tr>
<td></td>
<td>• Recurrent and capital included</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Recurrent and some capital expenditures included (though separate capital budget)</td>
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<tr>
<td>Mozambique</td>
<td>• Nominally all sectors included, though only five have some type of costings (education, health, agriculture, roads, water)</td>
<td>• Economic and functional classification (fourteen categories)</td>
<td>• Central only (highly centralized budget system)</td>
<td>• Expenditures—six years</td>
</tr>
<tr>
<td></td>
<td>• Recurrent and some capital expenditures included (varies by sector)</td>
<td></td>
<td></td>
<td>• Revenues—ten years</td>
</tr>
<tr>
<td>Rwanda</td>
<td>• Nominally fifteen (out of twenty) ministries included</td>
<td>• Functional classification</td>
<td>• Central and regional (prefecture) levels</td>
<td>• Three years</td>
</tr>
<tr>
<td></td>
<td>• Recurrent expenditures only (capital in separate budget)</td>
<td></td>
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</tr>
<tr>
<td>South Africa</td>
<td>• Nominally all sectors included</td>
<td>• Economic, functional (eight categories), and geographical (level of government) classifications</td>
<td>• Central, provincial, and local (highly decentralized budget system)</td>
<td>• Four years</td>
</tr>
<tr>
<td></td>
<td>• Recurrent and capital expenditures both included</td>
<td></td>
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</tr>
<tr>
<td>Tanzania</td>
<td>• Seven sectors included (education, health, water, roads, agriculture, judiciary, land)</td>
<td>• Economic, organizational, and functional (subscriber) classifications</td>
<td>• Central only</td>
<td>• Three years</td>
</tr>
<tr>
<td></td>
<td>• Recurrent and capital included</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Recurrent and capital included</td>
<td></td>
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<tr>
<td>Uganda</td>
<td>• All eight sectors included</td>
<td>• Economic, functional, and organizational (major spending agencies) classifications</td>
<td>• Central and local (as of 2000) levels</td>
<td>• Three years</td>
</tr>
<tr>
<td></td>
<td>• Recurrent and capital included</td>
<td></td>
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<tr>
<td>Country</td>
<td>Macro/Fiscal Framework (MFF)</td>
<td>Sectoral Expenditure Frameworks (SEF)</td>
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<td>--------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
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<tr>
<td>GHANA</td>
<td>• Based on spreadsheet model (flow of funds)</td>
<td>• SEFs include strategic plan with objectives, outputs, activities (though quality varies by sector)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Presents projections and indicative aggregate and sectoral ceilings (though ceilings not realistic)</td>
<td>• Ministries produced costings at the program and sub-program levels</td>
<td></td>
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</tr>
<tr>
<td>GUINEA</td>
<td>• Based on IMF projections</td>
<td>• Only priority sectors (seven) present SEFs with objectives, strategies, and performance indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Includes projections, targets, and indicative aggregate and sectoral ceilings</td>
<td>• Some priority sectors include costings (without detailed breakdowns) for recurrent expenditures, though quality varies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KENYA</td>
<td>• Based on spreadsheet (RMSM-X) model</td>
<td>• Sector priorities and costings not presented in MTEF (activity-based costings at aggregate levels included in PRSP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Presents projections and aggregate ceilings (including ceilings based on economic classification)</td>
<td>• PRSP costings vary by sector; in some priority sectors costings were either absent or incomplete</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MALAWI</td>
<td>• Based on spreadsheet (RMSM-X) model and IMF projections</td>
<td>• Some discussion of objectives and strategy</td>
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<tr>
<td></td>
<td>• Provides projections and indicative aggregate and sectoral ceilings (though not in timely manner)</td>
<td>• All ministries present activity-based costings for recurrent expenditures only; quality varies considerably; no standardized format</td>
<td></td>
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</tr>
<tr>
<td>MOZAMBIQUE</td>
<td>• Based on a CGE model</td>
<td>• Limited discussion of strategy in some priority sectors</td>
<td></td>
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<tr>
<td></td>
<td>• Presents projections and indicative aggregate and sectoral ceilings</td>
<td>• The five priority sectors present SEF costings based either on activities or programs (at aggregate levels); no standardized format</td>
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<tr>
<td></td>
<td>• Discussion of assumptions and scenarios</td>
<td>• Most non-priority sectors SEFs presented costings according to their internal organizational structures</td>
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<tr>
<td>RWANDA</td>
<td>• Based on IMF projections</td>
<td>• SEFs include strategic plans (“profiles”)—policies, strategies, and outputs</td>
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<tr>
<td></td>
<td>• Presents projections and indicative aggregate and sectoral ceilings</td>
<td>• Only three sectors (health education, justice) presented some costings (of different quality); no standardization</td>
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<tr>
<td>SOUTH AFRICA</td>
<td>• Based on econometric models</td>
<td>• SEFs include strategic plans</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Presents projections, targets, and indicative aggregate ceiling</td>
<td>• Most departments and provinces present program costings</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• Discussion of assumptions</td>
<td>• Special “sectoral reviews” done initially in five sectors (health, education, welfare, criminal justice, defense, civil service)</td>
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<tr>
<td></td>
<td>• Budget Forum prepares indicative sectoral ceilings</td>
<td>• Standardized procedures (manual)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TANZANIA</td>
<td>• Based on econometric and spreadsheet models</td>
<td>• SEFs include strategies, objectives, and priorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Presents projections and indicative aggregate and sectoral ceilings</td>
<td>• SEFs vary considerably in quality (some present detailed program costings, others do not present costings); no standardized format</td>
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<td></td>
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<tr>
<td></td>
<td>• Includes scenarios (base, pessimistic, optimistic)</td>
<td></td>
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<tr>
<td>UGANDA</td>
<td>• Based on spreadsheet models</td>
<td>• Sectoral objectives presented in PRSP</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Presents projections, targets, and indicative ceilings</td>
<td>• SEFs vary considerably in quality, though all sectors prepare costings (some are quite detailed and comprehensive, while others are rudimentary)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Some SEFs include performance targets</td>
<td></td>
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</tr>
</tbody>
</table>
Table 3.: MTEFs in Africa: Organizational Design Features

<table>
<thead>
<tr>
<th>Country</th>
<th>Budget Process Status</th>
<th>Management Structure</th>
<th>Dissemination</th>
<th>Oversight</th>
</tr>
</thead>
</table>
| GHANA    | • MTEF is formally part of budget process  
• Not subject to formal approval by either cabinet or parliament | • MOF manages process  
• Macroeconomic working group prepares MFF  
• Ministries prepare SEFs  
• No civil society input | • Disseminated as part of budget | • Some sectoral autonomy  
• Training workshops held on strategic planning  
• MTEF technical guide and user manual developed |
| GUINEA   | • Nominally part of budget process  
• Not subject to formal approval by either cabinet or parliament | • MTEF managed by Public Management Adjustment Credit steering committee under Prime Minister  
• MOF prepares MFF  
• Sectors prepare SEFs with MOF support  
• No civil society input | • Disseminated internally  
• Little external dissemination | • No performance agreements,  
though some performance indicators developed  
• Little sectoral autonomy  
• Some initial training provided |
| KENYA    | • MTEF released a few months before budget approved  
• Cabinet approves MTEF and sends to parliament for approval | • MTEF Secretariat coordinates process  
• Macroeconomic working group prepares MFF  
• Sector working groups (six) prepare SEFs  
• No formal civil society input | • Disseminated internally  
• Little external dissemination to parliament raises profile of MTEF | • No performance agreements  
• Little sectoral autonomy  
• After initial launch workshops, no further training provided |
| MALAWI  | • Not yet fully implemented into budget process  
• Not submitted to cabinet for approval | • Budget office manages MTEF process  
• Sectoral participation is minimal  
• No civil society input | • Internal dissemination  
• No external dissemination | • No performance agreements  
• Little sectoral autonomy  
• No training provided |
| MOZAMBIQUE | • MOF issues MTEF; no higher political approval  
• MTEF not prepared sufficiently in advance of budget to play meaningful role in process | • Budget office manages MTEF  
• MFF managed by Gabinete de Estudos  
• Sectors develop SEFs with MOF input  
• MTEF launched by expenditure and macroeconomic working groups  
• No civil society input | • Disseminated internally by MOF  
• No external dissemination | • Little sectoral autonomy  
• No performance agreements  
• No training provided |
| RWANDA  | • MTEF has not yet been fully integrated into the budget process (timing problems)  
• In 2001 MTEF is to replace old budget process  
• MTEF approved by cabinet as part of the Budget Framework Paper | • MTEF Design and Implementation Group (DIG) manages process; headed by budget office and includes other MOF directors  
• Ministerial budget committees prepare SEFs (only half of ministries have committees)  
• No civil society input | • Disseminated internally by DIG  
• No external dissemination | • MTEG Policy Group provides broad policy guidelines  
• No performance agreements  
• Little sectoral autonomy  
• Launch and strategic framework workshops held |
| SOUTH AFRICA | • Medium Term Budget Policy Statement (MFF and SEFs) is published three months before budget  
| • MTEF also published as part of budget  
| • Cabinet approves MTEF and MOF presents it to parliament | • Budget office manages MTEF  
| • Department of state expenditures (DSE) evaluates SEFs, which are prepared by sectors  
| • MOF prepares MFF  
| • MTEF review teams (composed of sector specialists, MOF officials, consultants) prepare SEFs | • MOF disseminates MTEF as both part of MTBPS and the budget  
| • MTEF presented to parliament, which allows civil society and private sector greater scrutiny | • Medium Term Expenditure Committee and Ministers' Committee on Budget oversee process  
| • No performance agreements  
| • Provinces have high degree of autonomy  
| • MTEF highlights changes from previous version  
| • Support provided on an ad hoc basis only |

| TANZANIA | • MTEF not completely integrated into FY1999/00 budget process (PER, 1/01), though situation has improved recently  
| • MTEF not formally submitted to cabinet or parliament | • MOF, supported by PER working group, manages process  
| • Budget guidelines committee, supported by macroeconomic group, prepares MFF  
| • Sector working groups prepare SEFs  
| • Working groups are composed of government officials, donors, IFIs, academia, private sector, giving civil society official status in the process | • MTEF is discussed in detail in the PER consultative meetings and minutes are circulated as part of the PER  
| • Pilot performance agreements in a few sectors  
| • Sectors do not have much autonomy  
| • Sectors beginning to develop performance indicators  
| • Budget office provided training to sectors (including format for SEFs) |

| UGANDA | • MTEF is integral part of the budget process  
| • Presented as part of the Budget Framework Paper (BFP)  
| • BFP approved by cabinet and parliament | • MOF manages process  
| • Participatory process of arriving at sector ceilings through "budget workshops"  
| • MOF macro unit prepares MFF  
| • Sector working groups (composed of sector specialists, MOF, World Bank, donors, NGOs) develop SEFs  
| • Formal civil society input | • Disseminated internally through working groups  
| • Disseminated externally through parliament | • No performance agreements  
| • No sectoral autonomy  
| • MOF has provided some training |

Note: Budget offices and ministries of finance (MOF) are referred to generically.
ANNEX II  MTEF DEVELOPMENT RATING SYSTEM

In order to present ratings in Figures 1-3, the data from Tables 1-3 (Annex I) were coded according to the following rules:

General

1. Coverage: Sectors included: All (+1) or Partial (0)
2. Coverage: Expenditures included: Recurrent and Capital (+1) or Other (0)
3. Format: Economic, Functional, and Program Classification (+2), Economic and Functional Classification (+1), or Other (0)
4. Length of period: Three or Four years (+1) or More (0)

Technical

1. MFF: Reasonable Forecasting Model for MFF (+1) or Not (0)
2. MFF: Projections and Ceilings in MFF (+1) or Not (0)
3. SEFS: Strategy in SEFs (+1) or Not (0)
4. SEFs: SEF Costings: Program-based (+2), Some Costings at Aggregate Level (+1), No Costings (0)

Organizational

1. Status: Fully Integrated into Budget Process (+2), Partially (+1), or Not (0)
2. Status: Approved by Parliament (+1) or Not (0)
3. Management: Multi-Layered Management Structure (+1) or Not (0)
4. Management: SEF Working Groups (+1) or Not (0)
5. Management: Civil Society Participation (+1) or Not (0)
6. Oversight: Performance Indicators/Agreements (+1) or Not (0)
7. Oversight: Training and Materials (+2), Training (+1), or Not (0)
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Rwanda


South Africa


Tanzania


Uganda


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