

Research on Poverty Alleviation -REPOA

Non-Governmental Policy Forum (NPF)

**Workshop Proceedings and Reference Notes for the
Awareness Raising Workshop Held at REPOA Conference
Hall, Thursday, 24th February, 2005**

(Draft)

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Abbreviations

CSOs:	Civil society Organisations
DPP:	Director of Policy and Planning
IFMS:	Integrated Financial Management Systems
LGAs:	Local Government Authorities
LGSP:	Local Government Support Programme
MDA:	Ministries, Departments and Agencies
MDGs:	Millennium Development Goals
M & E:	Monitoring and Evaluation
MTEF:	Medium Term Expenditure Framework
MTP:	Medium Term Plan
NPF:	NGO Policy Forum
NSGPR:	National Strategy for Poverty Reduction
NPA:	Norwegian People Aid
OC:	Other Charges
PER:	Performance Expenditure Review
PO-PSM:	President's Office- Public Service Management
PO-RALG:	President's Office- Regional Administration and Local Government
REPOA:	Research on Poverty Alleviation
RS:	Regional Secretariat
SBAS:	Strategic Budget Allocation system
NSV:	Netherlands Development Organisation
VPO:	Vice President's Office

1. Background and introduction

Efforts to address the issue of poverty in Tanzania have been going on since 2001/2002 and have been coordinated under the Poverty Reduction Strategy as a national organising framework. In January 2005, the Government introduced a second organising framework for continuing the efforts to reduce poverty in the country referred to as the National Strategy for Growth and Poverty Reduction (NSGPR). The NSGPR addresses the aspiration of the Tanzania Development Vision (Vision, 2025) for high and shared growth, high quality livelihood, peace, stability, unity, quality education and international competitiveness. NSGRP has been formulated within the context of the UN Millennium Development Goals (MDGs) to be achieved by 2015.

The MTEF has emerged as important tool for coordinating government efforts and allocation of resources to implement the NSGPR. However, effective implementation of the NSGRP depends on active participation of a number of stakeholders including donors, the government and Civil Society Organisations (CSO) in the budget process. Subsequently, knowledge of the way the MTEF operates is of paramount importance for all stakeholders. Currently however, the Civil Society Organisations are not well informed about the MTEF and related government processes that impact on the allocation of resources and subsequently, the attainment of the NSGRP goals.

The relationship between the planning and budgeting process at Local Government Authority (LGA) level and similar processes at national level are also not clear to most CSOs. To address these knowledge gaps, a brief information-sharing workshop was organised by the NGOs Policy Forum (NPF) for its members¹ on Thursday, 24th February 2005. Two presentations were made by representatives of the Ministry of Finance and the President's Office - Regional Administration and Local Government (PO-RALG) to assist in bringing to light the NPF members. Each of the presentations was followed by a plenary discussion during which a number of issues emerged. This reports summarises these presentations as well as the issues raised and is intended to form reference material for future consultations/training and information sharing by the NPF members. The workshop was organised by the NGO Policy Forum (NPF) with assistance from the Netherlands Development Organisation (SNV), the Norwegian People Aid (NPA) and Research on Poverty Alleviation (REPOA); facilitated by Murtaza Nasser from NPA while Mr. Lemayon Melyoki from the University of Dar-es-Salaam (UDSM) was the rapporteur with the responsibility for writing the report. The full list of participants is in appendix I of this report.

¹ NPF is an association of NGOs.

Specific workshop objectives

The workshop, which was organised by NPF and held at the REPOA Conference Hall, had the overall objective of informing participants about the relationship between the Government planning and budgeting process at central level and how it relates to the same process at LGA level. It was specially aimed at:

- Informing stakeholders about developments that are taking place at the Central Government relating to budgeting process and in particular the MTEF process
- Informing NPF members about PlanRep, a Planning and Reporting System for Local Government Authorities (LGAs)

Objective and structure of the report

The objective of this report is to present a summary of the presentations made by representatives from the Ministry of Finance and PO-RALG. It is intended as reference notes for future consultation/training and sharing of information regarding the developments highlighted in the presentations.

The rest of this report is organised as follows: section 2 presents the presentation on the Medium Term Expenditure Framework (MTEF), section 3 summarises the presentation on PlanRep and section 4 provides a broad indication of the way forward. Appendices are provided in section 5.

2. Government planning and budgeting process: the Medium Term Expenditure Framework (MTEF)

Ms. Monica Mamunyenge, Assistant Commissioner for Budget at the Ministry of Finance, made the presentation on the Medium Term Expenditure Framework (MTEF). The PowerPoint presentation she used for her presentation is included as appendix III.

2.1 Introduction

MTEF was introduced in the late part of 1990 as an improvement of the Performance Expenditure Review (PER) process to enhance efficiency and effectiveness in budget management. Adoption of the MTEF was deemed the most efficient way of linking Strategic Plans and Budgets. Thus, MTEF can be defined as:

A prioritized three-year integrated estimate based on clearly defined performance indicators within a strategic plan. It involves the determination of resources and their use in a three-year time frame, for attainment of government policies and objectives.

A sound MTEF budget serves as a tool for economic and financial management and accountability and also serves as a mechanism for allocating resources among different needs and priorities as well as bringing economic stability and growth.

2.2 Objectives of the MTEF

Linked to the reasons for introducing the MTEF, its overall objectives are:

- To improve macroeconomic balance by developing a consistent and realistic resource allocation framework. The MTEF provides an overview of resource levels and how they are shared among the various competing demands.
- To improve the allocation of resources to strategic priorities between and within sectors/MDAs. This implies that greater amounts of resources can be allocated to those areas considered to have significant and long-term impact in improving economic performance and in addressing poverty.
- To increase commitment and predictability of both policy and funding so that MDA's can plan ahead and programs can be sustained.
- To support the implementation of the National Strategy for Growth and Poverty Reduction (NSGPR).
- To strengthen an Output Oriented Budget that focuses on Service Delivery improvements. Under the MTEF framework, activities must be linked to objectives which are themselves framed to address service delivery.

- To enhance transparency and accountability in the budgeting process (through the Public Expenditure Review process)
- The MTEF is intended to encourage donors to support the overall budget rather than specific programmes. This will improve flexibility in the way these resources are allocated among various needs.

Strategic planning, an essential element of MTEF involves defining the vision, mission for MDAs and setting objectives to be achieved and establishing Key Result Areas. It also involves planning activities to be carried out to reach the objectives specified in the strategic plan. In addition the MTEF requires specifying the resources to be deployed to carry out activities.

For the year, 2005/2006, the MTEF has been linked to the three clusters of poverty reduction outcomes that are defined in the NSGRP (see Appendix 2). In this respect focus of resource allocation is shifted from the traditional priority sectors to 'cluster strategies'. These clusters are [1] Growth and reduction of income poverty, [2] improvement of quality of life and social wellbeing and [3] governance and accountability (see appendix II for details of the clusters).

2.3 Strategic Budget Allocation System (SBAS)

The SBAS has been devised to enable the tracking of budgeted resources in relation to the NSGRP clusters. This will help to ensure that the budget priority is as accorded to the NSGRP clusters.

- Budgetary ceilings will be provided to all MTEF targets (NSGRP and others) and the annual budget prepared using the Epicor based Integrated Financial Management System (IFMS). Detailed activities related to these targets will be identified and costing provided for the inputs required (IFMS and Epicor are explained in box 1).
- For Local Government Authorities (LGAs) the formula based allocation is used to allocate resources to all sectors that receive grants from the Central Government.

Box 1. IFMS and Epicor defined

Epicor is an updated version of the government accounting software previously called Platinum. IFMS is a term that is used to describe the networked computers in the government accounting system. IFMS allows users to input financial information in the system, controls payments e.g. printing of cheques and production of reports

In order for the National Medium Term Plan (MTP), Sectoral Strategic Plans and NSGRP Cluster interventions to serve as instruments for guiding resource allocation, it is essential that they are appropriately sequenced and properly timed in order to provide adequate linkages and synergies among them. The MTEF preparation stages are summarized in box 2

Box 2. Steps involved in the MTEF preparation

- i. The Annual Plan and Budget process begin with the macro economic and sectoral performance reviews. PER Working Group's outputs provide basic data and information used in reviewing budget performance and in the preparation of the Budget Guidelines.
- ii. The second stage is projection of economic growth and identifying key macro-economic and sectoral policy commitments with the view to determining a pool of resources (both external and internal inflows) expected to be available in the upcoming budget year and the other two following years.
- iii. The third stage entails identification and linking of Ministries, Departments and Agencies (MDAs), Regions' and Local Government Authorities LGAs' strategic plans with overall Medium Term Plan objectives, NSGRP interventions, and Government policy commitments to ensure their consistency.
- iv. The fourth stage involves costing of strategic sectoral planned activities consistent with NSGRP Cluster interventions and then applying MTEF process to integrate NSGRP Cluster interventions with budget activities and to link the activities with the resource allocation as well. This activity includes preparation of the annual budget by all MDAs.

The SBAS has two versions that are distinguished by level of aggregation (or detail) and access. Thus, there exist SBAS micro and SBAS macro versions as explained in the next section.

2.3.1 Micro version

The micro version of the SBAS is accessed and used by MDAs and allows more detailed information to be entered in the system and has two levels. Level I for budget formulation and level II for the annual budget. Level I of SBAS is for MDAs to fill in their detailed budget request and submit them electronically. This level works as follows:

- The full menu of strategies under the NSGRP are displayed from which MDAs select those that fit them and their situation
- MDAs can link their budgets explicitly at MTEF target level with the cross-cutting NSGRP Cluster Strategies. Non-NSGRP targets come from existing Strategic Plans and MTEFs and are internal to the MDA.
- Budget requests are for Other Charges and development expenditure (this means everything except salaries).

- Foreign development funds. These depend on agreements/grants or loan commitments in place with donors and are reflected under the appropriate MTEF targets (NSGRP or non-NSGRP)
- MDAs can analyse and compare NSGRP/Non-NSGRP budget requests at formulation stage.
- Use friendly electronic interface for MDAs to submit full MTEF target-level requests (NSGRP and non-NSGRP) to the Budget Guidelines Committee

The annual budget is Level II of the budget formulation. At this level, the target-ceilings are linked to activities and inputs for the annual budget and detailed MTEF.

2.3.2 Macro level

The Macro version is accessed and used by the Budget Guidelines Committee to analyse the request and allocate resources according to the size of the resource envelope. It has the following attributes:

- The SBAS has easy-to-use features which allow MDAs to submit all their requests to the Budget Guidelines Committee online
- Once MDAs have submitted their requests they cannot be altered by anybody else without the consent of the MDAs.
- Resources available from the budget can be entered in this program to allow easy tracking
- Ensures that a clear picture can be made of how much of the budget is allocated for priority activities identified in the NSGRP and how much is for other Government expenditure. This encourages greater transparency and accountability in the budgeting process and in use of resources.

2.4 Advantages of the SBAS

- NSGRP cluster strategies will be explicitly linked to Strategic Plan objectives and MTEF targets. Thus, the SBAS links operation processes/activities to the targets which in turn are linked to objectives so that they is a logical connection between the elements of the strategy.
- MDAs will be able to use a standardized template for filling out their MTEFs which are electronically submitted to the MoF for easy analysis and production of budget reports. A standardised template makes comparison between MDAs possible and forms a basis for improvements.
- Accurate and timely reports can be produced from the system.
- MDAs , Development Partners and others stakeholders, can easily see the consistency between strategic allocations at target level in the Budget Guidelines and final allocations made to NSGRP activities in the annual budget.

- Limited resources are directed to prioritised activities that result in improved services and achievement of the agreed objectives. This means SBAS makes it easy to see which resources are going into what activities. This in turn provides a better basis for improving the allocation.
- SBAS provides Permanent Secretaries and managers with better information for planning and managing activities. This information is made available on a more timely basis as well as being more reliable.
- MDAs are linked to a relevant cluster and cluster strategies/targets.

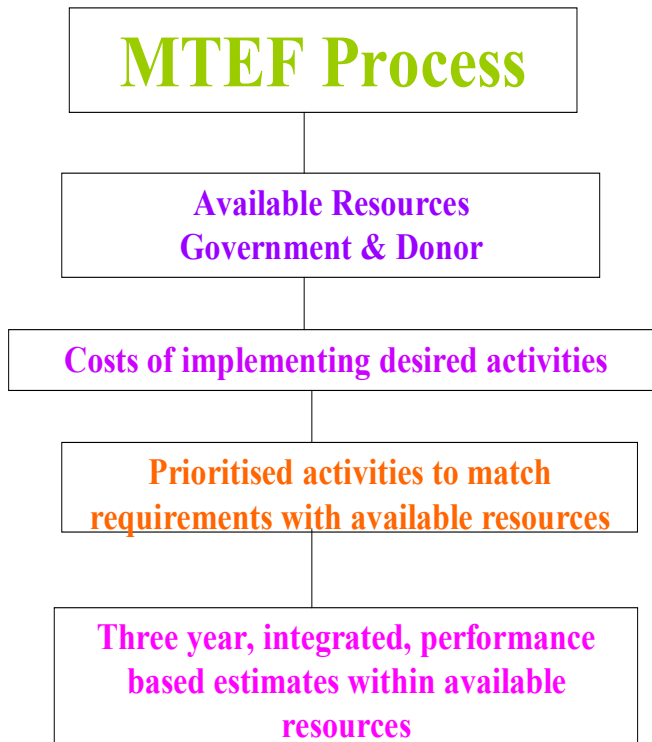
2.5 Challenges facing the MTEF process

Implementation of MTEF is a complex task requiring a radical shift in perspective and the way in which we implement the budget. Its success will depend amongst others on:

- Further integration of the MTEF strategic plans, performance management and Monitoring and Evaluation system (M&E)
- Commitment at all levels to abide by the budget decision.
- Improved macroeconomic management and revenue collection so that revenue shortfall does not necessitate adjustments to the budget estimates.
- Improvements on the reporting of expenditure specifically direct to project donor funds.
- Harmonisation of the MTEF and NSGRP outcomes to ensure efficiency and effectiveness in resource allocation.
- Improved budget performance, monitoring and evaluation in the context of NSGRP
- Development of an MTEF manual that would facilitate preparation of MDAs budgets consistent with current reforms.

Figure 1 shows the flow of the MTEF process

Figure 1: The process of MTEF



2.6 Proposed Interventions and Conclusions

Some of the interventions being proposed for successful implementation of the MTEF include the following:

- To develop detailed action plan for taking action in harmonising and improving the MTEF and NSGRP outcomes.
- To enhance MDAs capacities in budgeting and monitoring.
- To continue improvement in expenditure control.

Conclusions

- The MTEF is an effective tool for allocating resources and for economic and financial management and accountability. However, its success requires financial discipline and strong commitment at all levels.

- The need for further harmonization of various Government reform programs is required for better economic management. Thus, coherent national policies, control and coordination need to be observed.
- The attainment of NSGRP outcomes depends on the contribution of various sectors and actors in the economy. This points to the need for close coordination of sectoral linkages and sharing of information among MDAs
- Civil Society Organizations have a prominent role to play in overseeing the implementation of government policies and objectives. Their effectively participating in different fora that provide feedback to the government (e.g. PER) is important.

2.7 Questions/issues raised during the plenary discussion

Question 1

What the percentage of National resources is allocated to the Local Government Development Block Grant

Answer:

There was not ready answer to this question.

Question 2

In the case of HIV/AIDS, are there plans to apply a formula to allocate resources to LGAs?

Answer

If plans are part of the Health budget, the formula applies, but if they are not part of the Health Budget, the formula does not apply. In General TACAIDS provides advice/inputs to the budget process regarding the allocation of funds for combating HIV/AIDS. The Governance Unit also does the same in the case of anti-corruption budget. Further, MDAs are required to sent their plans relating to HIV/AIDS to TACAIDS. Currently, LGAs do not sent plans on HIV/AIDS to TACAIDS because they have not been reached by TACAIDS.

Question 3

Is there a connection between MTEF and SBAS

Answer

The connection exists, but further improvements are being made in that direction.

Question 4

Reforms are taking place very rapidly in Tanzania as elsewhere; do these changes disrupt Government processes and make it impossible to define a clear Tanzanian long-term plan and strategies rather than the 3 year planning horizon?

Answer

These reforms/changes are viewed as improvements to what used to be done and hence do not present a major challenge. In some cases, we have had to take on board developments in the operating environment and incorporate such developments in our strategic plans. For example, we have had to incorporate the Millennium Development Goals in our NSGRP.

Question 5

The use of a formula for allocating resources to LGAs makes planning and budgeting at that level meaningless and appears to be inconsistent with the current reforms in which LGAs will be given funds to plan for, manage and account for them. Can you comment?

Answer

Resource limitation makes it necessary that we apply a formula. Also budgets from LGAs are sometimes not realistic because they do not have the capacity to absorb such resources.

Despite the answers to the questions asked, there were still issues which participants expressed concern that forms are taking place very rapidly in Tanzania could potentially disrupt government process and take away the possibility for defining a clear Tanzanian long-term term plans and strategies rather than the current 3 year planning horizons. It was also stated that the amount of discussion that is currently taking place within the Government to construct an agenda for Tanzania to reach the vision 2025 needs to be encouraged and developed.

3. Plan-Rep software

Audax Mujuni, who is currently based at UCC on behalf of PO-RALG, made the presentation on the PlanRep. The PowerPoint presentation is provided in appendix IV of this report.

3.1 Introduction

The Local Government Planning and Reporting Database (PlanRep) is a specially designed database for assisting local authorities in planning, budgeting, projecting revenue from all sources, and tracking funds received, physical implementation and expenditure. This software caters for Councils that are already using the Epicor accounting system, as well as those which are still on a manual accounting system. PlanRep caters for the needs of Local Government Authorities (LGAs), Regional Secretariats (RS) and PO-RALG, though initially it was intended for use by LGAs internally². Figure 2 shows the main menu of this software.

Fig 2. Main switchboard or menu



² Software support is given on the PO-RALG website www.poralg.go.tz. Users can find the latest updates of the software, answers to FAQs, manuals, details of the training ‘video’ and other helpful information. To access the users area on the website, use the login name *user* and the password *planrep*. The software also contains inbuilt help files which can be easily accessed from within the program itself.

3.2 Functions that PlanRep can perform

The database can be operated in either English or Kiswahili. The functions that Plan-Rep can perform are summarised in box 3.

Box 3. Functions that Plan-Rep performs³

- i. Enter a strategic plan as components of the Medium Term Expenditure Framework (MTEF), i.e. Objectives, Targets, Activities and Inputs
- ii. Associate indicators with Objectives and display them.
- iii. Work out the total projected revenue from the various sources: Council's own sources (taxes, fees, etc), the community, Central Government and Development Partners.
- iv. Allocate earmarked revenue to specific targets.
- v. Allocate other revenue to sub-votes.
- vi. Enter the PE, OC and development budgets associated with the framework
- vii. Compare the projected revenue with the actual funds received, this is useful for monitoring and control purposes.
- viii. Compare expenditure with budget; this also useful for monitoring and control purposes.
- ix. Enter funds received and expenditure either manually, or electronically from the 28-character Epicor accounting system.
- x. Enter quarterly reports on all targets.
- xi. Enter inspection reports on physical implementation of development targets.
- xii. Produce a core set of printouts plus many supplementary ones.

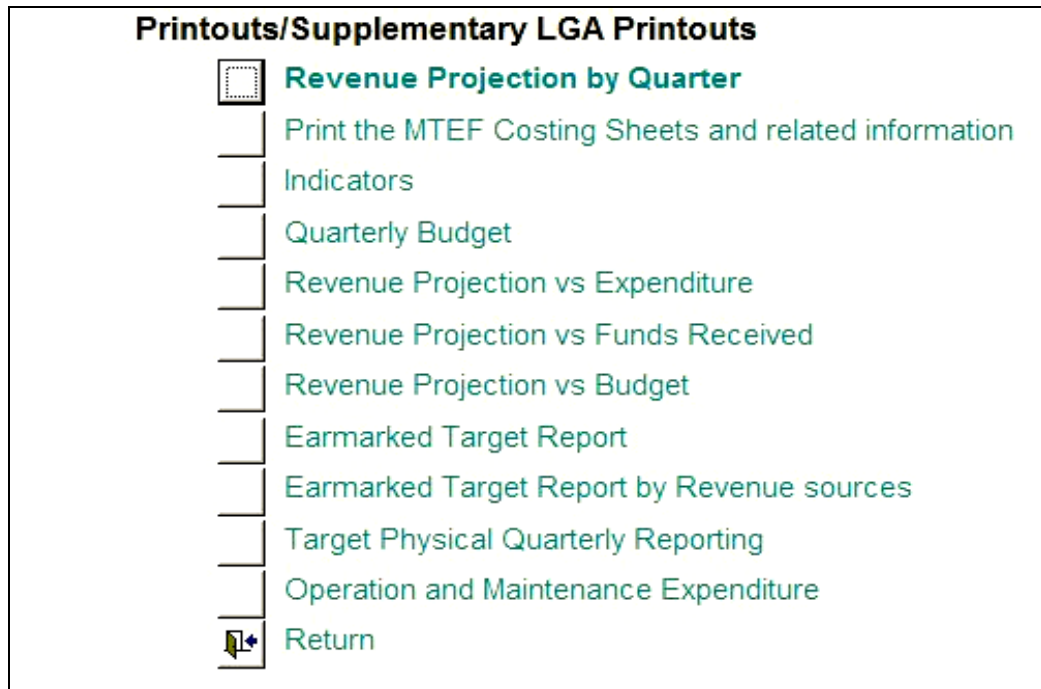
From above box, it is evident that PlanRep in summary performs the following:

- House MTEF and link it to epicor
- Track implementation against plans
- Track expenditure against budgets and plans
- Produce standard reports
- Produce tailor-made reports
- Aggregate from LGAs through RS to PO-RALG

³ Source: Manual for PlanRep

Figure 3 shows the type of reports that can be printed from the PlanRep software.

Fig 3. Supplementary LGA Printouts



The links between PlanRep and PO-PSM

Originally, PlanRep was designed by LGRP and shared with PO-PSM to assess if it could be used by MDAs. This was done by a Joint PO-RALG/PO-PSM system development team. However, it emerged that PO-PSM was tailored to MDA needs while PlanRep is tailored to PO-RALG needs. Thus, currently no links exist between PlanRep and PO-PSM

How PlanRep feeds into PO-RALG

- LGA PlanRep is aggregated at Regional level
- Regional Reports are consolidated into one national report for Local Government
- ITPMD collects, stores, and undertakes statistical analysis and makes available to DSC, DRA, DLG, DPP
- Information is available for senior management for making decisions
- Information is also made available to Parliament and stakeholders

Challenges

PlanRep currently faces a number of challenges which include:

- The roll out of epicor
- Training in MTEF. More capacity building in MTEF at the LGA level will be required
- Consistency in the use of terms (see questions/issues below)
- Setting up a new structure for PO-RALG. The new structure has been approved and when it is implemented, it will have implication for PlanRep
- Practical constraints- lack of reliable electricity

Next steps for PlanRep

- Removing bugs (debugging) and final testing
- Roll out to phase one epicor locations
- Roll out to LGSP Universe LGAs
- Roll out to LGA's covered by ABPs
- Making PlanRep available to those remaining
- To be fully operational by 2005/06

Table1. Comparison of SBAS and PlanRep

	SBAS	PlanRep
1	Strategic budget allocation system	Planning and Reporting Database
2	MDA based target budget Tool	LGA based MTEF Budget Tool
3	Combines VPO strategies with MDA specific targets for budgeting	Only LGA specific targets with VPO strategies indirectly included
4	Ends at target level, does not include activities and inputs	Goes down to activities and input levels
5	Target defined according to MTEF guidelines	Target defined according to MTEF guidelines
6	Exports target ceilings to Epicor via Excel	Exports target ceilings to Epicor via Excel

3.3 Plenary discussion issues and questions

Questions:

A number of questions were asked during the plenary session some of which were answered by the presenter while others remain as issues to be further worked on.

Question 1

How does PlanRep address the issue of transparency and accountability at a lower level - say village?

Answer:

Reports produced by using PlanRep can be posted at the Council's offices for members of the public to see. Also, one can visit the website and view the report posted by councils.

Question 2

Does PlanRep capture all sources of funds for Councils?

Answer:

PlanRep captures all possible sources of funds for Councils. There is a template on which all sources of funds are displayed.

Question 3

What is the source of different terminologies that may pose a problem in the implementation of PlanRep?

Answer:

The source of different terminologies used by LGAs, which may pose a problem during implementation of PlanRep, is the guidelines issued by two different ministries - the Ministry of Finance and PO-RALG.

In addition to the questions posed during the plenary session, there also issues which participants raised as requiring further attention.

- i. Notwithstanding the answers given, it was pointed out that The PlanRep programme encourages accountability upward- to the RS and PO-RALG and is not very clear how it will be a means for accountability and transparency to the local people e.g. village
- ii. The need for harmonising budget guidelines from the Ministry of Finance and those issued by PO-RALG was pointed out so as to make the implementation of PlanRep smooth
- iii. Participants emphasised that PlanRep should be viewed as tool for CSOs to learn and challenge and demonstrate and generally facilitate advocacy work.
- iv. Significant concern was expressed regarding the capacity at the LGAs level for implementing PlanRep. This, it was noted will pose a major challenge to the realisation of benefits. A suggestion as put forward for PO-RALG to start with a few selected LGAs as a Pilot project

4. Way forward for actors in development at local level

- An important conclusion that can be drawn from the explanations of the MTEF process is that there is need for CSOs and other stakeholders to have a common view of the budget process. The questions emerging from the plenary discussion show that more requires to be done in terms of training to enable CSOs to play a meaningful role in the budgeting process and accountability for results.
- There is need for more information for NPF members to understand the planning and budgeting process at both national level and local level.

5. Appendices

Appendix 1

List of participants

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23	Monika Mamunyenge	Ministry of Finance	

Appendix II

Summary of Cluster Broad Outcomes and Goals⁴

	Cluster Number	Outcome/goals
I	Growth and Reduction of Income Poverty	<p>Broad outcomes: Broad based and equitable growth is achieved and sustained.</p> <p>Goals:</p> <ul style="list-style-type: none"> • Ensuring sound economic management. • Promoting sustainable and broad-based growth. • Improving food availability and accessibility. • Reducing income poverty of both men and women in rural areas. • Reducing income poverty of both men and women in urban areas. • Provision of reliable and affordable energy to consumers.
II	Improvement of quality of life and social well-being	<p>Broad outcomes</p> <ul style="list-style-type: none"> • Quality of life and social wellbeing, with particular focus on the poorest and most vulnerable groups improved. • Inequalities in outcomes (e.g education, survival, health) across geographic, income, age, gender and other groups reduced. <p>Goals:</p> <ul style="list-style-type: none"> • Ensuring equitable access to quality primary and secondary education for boys and girls, universal literacy among men and women and expansion of higher, technical and vocational education. • Improved survival, health and well-being of all children and women and of specially vulnerable groups. • Access to clean, affordable and safe water,

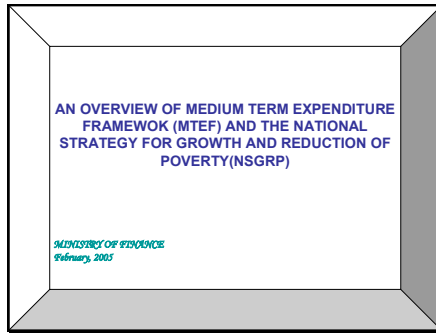
⁴ Source: URT, 2005; National Strategy for Growth and Reduction of Poverty (NSGRP),

		<p>sanitation, decent shelter and a safe and sustainable environment and thereby, reduced vulnerability from environmental risk.</p> <ul style="list-style-type: none"> • Adequate social protection and provision of basic needs and services for the vulnerable and needy. • Effective systems to ensure universal access to quality and affordable public services.
III	Governance and accountability	<p>Broad outcomes</p> <ul style="list-style-type: none"> • Good governance and the rule of law. • Accountability of leaders and public servants. • Democracy and political and social tolerance. • Peace, political stability, national unity and social cohesion deepened. <p>Goals</p> <ul style="list-style-type: none"> • Structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive. • Equitable allocation of public resources with corruption effectively addressed. • Effective public service framework in place to provide foundation for service delivery improvements and poverty reduction. • Rights of the poor and vulnerable groups are protected and promoted in the justice system. • Reduction of political and social exclusion and intolerance. • Improved personal and material security, reduced crime, eliminates sexual abuse and domestic violence. • National cultural identities enhanced and promoted.

Appendix III

Power Point Presentation on Medium Term Expenditure Framework (MTEF) By: Ms. Monica Mamunyange – Assistant Commissioner for Budget, MoF

Slide 1



Slide 2

OUTLINE OF THE PRESENTATION
❖ MTEF Process
❖ Resource Allocation
❖ MTEF/Performance Management System
❖ Challenges
❖ Proposed Interventions
❖ Conclusion

Slide 3

MTEF Process
➤ MTEF can be defined as a Prioritised three year integrated estimates, based on clearly defined performance indicators within a strategic plan. It involves the determination of resources and their use in a three year time frame, for attainment of government policies and objectives.
➤ A sound MTEF budget serves as a tool for economic and financial management and accountability and also serves as a mechanism for allocating resources among different needs and priorities as well as bringing economic stability and growth.

Slide 4

MTEF Process (cont...)
❑ Objective of MTEF process is :-
✓ To improve macroeconomic balance by developing a consistent and realistic resource framework
✓ To improve the allocation of resources to strategic priorities between and within sectors/MDAs
✓ To increase commitment and predictability of both policy and funding so that MDA's can plan ahead and programs can be sustained.

Slide 5

MTEF Process (cont...)

Objective of MTEF process (cont...)

- ✓ To support the implementation of the National Strategy for growth and Poverty Reduction
- ✓ To strengthen an output oriented Budget that focuses on Service Delivery improvements.

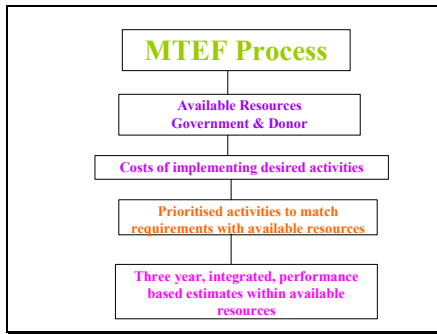
Slide 6

MTEF Process (cont...)

Objective of MTEF process (cont...)

- ✓ To enhancing transparency and accountability in the budgeting process (through the Public Expenditure Review process)
- ✓ To ensure increased shift of Donor Finance towards broader Budget Support to enhance flexibility of allocation across investments and recurrent cost purposes given fungibility of support in the context of overall budget financing

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RESOURCE ALLOCATION

- Focus of resource allocation is shifted from the traditional priority sectors to 'cluster strategies'.
- ❖ SBAS software was developed to facilitate resource allocation to the NSGRP clusters and strategies or outcomes.

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THE CURRENT STATUS IN THE MTEF BUDGET PROCESS (cont.....)

- ❖ Budgetary ceilings will be provided to all MTEF targets (NSGRP and others) and the annual budget prepared using the Epicor Based IFMS (MTEF model) will identify detailed activities related to these targets and provide costing for the inputs required.

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THE CURRENT STATUS IN THE MTEF BUDGET PROCESS (cont.....)

- ❑ For Local Government Authorities (LGAs) the formula based allocation is used to allocate resources to all sectors that receive grants from the Central Government.

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□ In order for the Medium Term Plan (MTP), Strategic Plans and NSGRP Cluster interventions to serve as instruments for guiding resource allocation, it is necessary to ensure that they are appropriately sequenced and properly timed in order to provide adequate linkages and synergies among them.

➤ MTEF Plan and Budget preparation stages are summarized hereunder:

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- ❖ The Annual Plan and Budget process begin with the macro economic and sectoral performance reviews. PER Working Group's outputs provide basic data and information used in reviewing budget performance and in the preparation of the Budget Guidelines.
- ❖ The second stage is projection of economic growth and identifying key macro-economic and sectoral policy commitments with the view to determining a pool of resources (both external and internal inflows) expected to be available in the upcoming budget year and the other two following outer years.

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❖ The third stage entails identification and linking of MDA's, Region's and Local Government Authorities strategic plans with overall Medium Term Plan objectives, NSGRP interventions, and Government policy commitments to ensure their consistency.

❖ The fourth stage involves costing of strategic sectoral planned activities consistent with NSGRP Cluster interventions and then applying MTEF process to integrate NSGRP Cluster interventions with budget activities and to link the activities with the resource allocation as well. This activity includes preparation of the annual budget by all MDAs.

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Benefits of the approach

- NSGRP cluster strategies will be explicitly linked to Strategic Plan strategic objectives and MTEF targets.
- MDAs will be able to use a standardized template for filling out their MTEFs which are electronically submitted to the MoF for easy analysis and production of budget reports.
- Accurate and timely reports can be produced from the system.

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Benefits of the approach (cont...)

- MDAs, development partners and others stakeholders, can easily see the consistency between strategic allocations at target level in the Budget Guidelines and final allocations made to NSGRP activities in the annual budget;
- Limited resources are directed to prioritised activities that result in improved services and achievement of the agreed objectives
- Permanent Secretaries and managers to be provided with better information for planning and managing activities

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- ❖ MDAs are linked to a relevant cluster and cluster strategies/targets.
- ❖ SBAS has two versions: SBAS Micro and SBAS Macro
- ❖ The Micro version is used by MDAs to fill out their budget request electronically
- ❖ The Macro version is used by the Budget Guidelines Committee to analyse the request and allocate resources according to the size of the resource envelope.

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Purpose of the SBAS Micro version – Level 1

- ❖ MDAs can see which NSGRP Cluster Strategies are relevant to them in the system. These are pre-determined and the wording is fixed to allow monitoring of financing of cross cutting strategies.
- ❖ MDAs can link their budgets explicitly at MTEF target level with the cross-cutting NSGRP Cluster Strategies.
- ❖ Non-NSGRP targets come from existing Strategic Plans and MTEFs and are internal to the MDA

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Purpose of the SBAS Micro Version – Level 1 Contd.

- Budget requests are for OC and local development. Foreign development depends on agreements/grant or loan commitments in place with donors and should be reflected under the appropriate MTEF targets (NSGRP or non-NSGRP)
- MDAs can analyse and compare NSGRP/Non-NSGRP budget requests at formulation stage.

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Purpose of SBAS Macro Version

- Use friendly electronic interface for MDAs to submit full MTEF target-level requests (NSGRP and non-NSGRP) to the Budget Guidelines Committee
- Maintaining the genuine requests from the MDAs
- The resources from the budget frame can be entered
- A clear picture can be made of how much NSGRP funding is allocated and how much is for other Government expenditure

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Level II – Annual Budget Formulation

- BG is only Level 1 of budget formulation
- The annual budget is level 2 of budget formulation
- The target-level ceilings will then be disaggregated to activities and inputs for the annual budget and detailed MTEF preparation (Epicor Based Integrated Financial Management System – IFMS)

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Challenges

❑ Implementation of MTEF is a complex task requiring a radical shift in perspective and the way in which we implement the budget. Its success will depend among others with the following:

- Further integration of the MTEF strategic plans, performance management and M & E
- Harmonisation of the MTEF and NSGRP outcomes to ensure efficiency and effectiveness in resource allocation.

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Challenges (cont...)

- Improved budget performance, monitoring and evaluation in the context of NSGRP
- Development of an MTEF manual that would facilitate preparation of MDAs budgets consistent with current reforms.

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Challenges (cont...)

- Commitment at all levels to abide by the budget decision.
- Improved macroeconomic management and revenue collection so that revenue shortfall does not necessitate adjustments to the budget estimates.
- Improvements on the reporting of expenditure specifically direct to project donor funds.

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Proposed interventions:

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Proposed interventions (cont...)

- ❑ To develop detailed action plan for taking action in harmonisation and improvement of MTEF and NSGRP outcomes.
- ❑ To enhance MDAs capacities in budgeting and monitoring.
- ❑ To continue improvement in expenditure control.

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CONCLUSION

- ✓ MTEF represents an effective tool for resource allocation, economic and financial management and accountability. In order for it to be successful it requires financial discipline and strong commitment at all levels.
- ✓ The need for further harmonization of various Government Reform programmes in order to attain better economic management can not be over emphasized. In this regard, Coherent national policies, control and coordination are important factors which have to be adhered to.

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Conclusion (cont...)

- ✓ The attainment of NSGRP outcomes invariably needs the contribution of various sectors and actors, hence the need for close coordination of sectoral linkages and sharing of information among MDAs
- ✓ NGO'S have a prominent role to play in overseeing the implementation of government policies and objectives by effectively participating in different forums that provide feedback to the government (e.g.PER)

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SHUKRANI

**THANK YOU FOR
YOUR KIND ATTENTION**

Appendix IV

Powerpoint Presentation on PlanRep by: Audax Mujan for PO-RALG

Slide 1

PO-RALG PLANNING AND
REPORTING DATABASE
(PlanRep)
Presentation to REPOA on
22nd Feb 2005

Slide 2

Contents

- Problem/Opportunity
- What is Planrep?
- What Planrep is not
- Who is it intended for?
- What can it do?
- How does it feed in to PO-RALG?
- How does it link to PO-PSM?
- Challenges
- Next steps
- Demonstration

Slide 3

Problem/Opportunity

- Physical implementation and financial tracking not linked in LGA reporting
- Multiple systems
- Poor quality reporting to and as a result by PO-RALG
- Installation of MIS

Slide 4

What is Planrep?

- Database linking planning (MTEF) with financial tracking (EPICOR)
- A consolidated system for LGA's, RS's and PO-RALG
- A cornerstone of MIS at LGA, RS, PO-RALG levels

Slide 5

What planrep is not

- A parallel system to EPICOR
- The answer to every problem local government and others face

Slide 6

Who is it intended for?

- Originally LGA's for internal management
- Now for Regional Secretariats (aggregated data)
- And PO-RALG (feeds into MIS)
- As well as MDA's through PO-PSM

Slide 7

What can it do?

- House MTEF's
- Link in to EPICOR
- Track implementation against plans
- Track expenditure against budgets and plans
- Verify implementation
- Produce standard reports
- Produce tailor-made reports
- Aggregate from LGA's through RS's to PO-RALG

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How does it link to PO-PSM?

- Planrep originally designed by LGRP
- Shared with PO-PSM to assess whether it could be used for MDA's
- Joint PO-RALG/PO-PSM system development
- PO-PSM version tailored to MDA needs
- Planrep tailored to PO-RALG needs

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How does it feed in to PO-RALG?

- LGA Planrep aggregated to Regional Level
- Regional Reports consolidated into one national report for local government
- ITPMD collects, stores and undertakes statistical analysis and then makes available to DSC, DRA, DLG, DPP
- Senior management to make decisions based on information
- Information made available to Parliament and stakeholders

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Challenges

- Roll-out of EPICOR
- Training in MTEF
- Consistency in use of terms
- Setting up of new PO-RALG structure
- Real field constraints (permanent electricity, e-mail connections)

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Next steps

- Debugging and final testing
- Roll-out to phase one EPICOR locations
- Roll-out to LGSP Universe LGA's
- Roll-out to LGA's covered by ABP's
- Made available to those remaining
- Fully operational by 2005/6

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Comparison of Planrep with SBAS

	SBAS	PLANREP (MICRO)
1	Strategic Budget Allocation System	Planning and Reporting Database
2	MDA Based Target Budget Tool	LGA Based MTEF Budget Tool
3	Combines VPO Strategies with MDA specific targets for budgeting	Only LGA specific targets with VPO strategies indirectly included
4	Ends at Target level, does not include Activities and inputs	Goes down to Activities and Input levels
5	Targets defined according to MTEF guidelines	Targets defined according to MTEF guidelines
6	Exports target ceilings to Epiwor via Excel	Exports Budget to Epiwor via Excel