

Medium term budgeting and planning: more realism drives improved performance

In many states, a deeply ingrained practice of over-stated budgets and disconnected development strategies has obstructed rational planning and has frustrated development over the years. For states committed to breaking this cycle, the UK Department for International Development (DFID) State Partnership for Accountability, Responsiveness and Capability (SPARC) programme has developed capacity within key ministries and agencies, introducing tools and processes to support integrated, consistent and realistic planning and budgeting.

This note describes the progress and results in the five DFID/SPARC lead states.

The situation as it was

Whilst differing in detail from state to state, a typical picture can be painted. State budgetary processes were technically weak and in many cases were unrealistic and incapable of adequately funding coherent and integrated development initiatives for citizens. Historically, the state would have used its budget as the key planning tool, with no attempt being made to cost, fund or implement the State Economic & Empowerment Development Strategy. As a result, 'planning' and spending were based on funding *ad hoc* activities that were not necessarily part of a medium term strategy or plan. Inflated budgets could not be met by adequate releases, which in turn led to underfunded (or unfunded) programmes, the funding of non-priority programmes, and a diminished capital budget to provide the public goods and services – such as new schools or the provision of quality healthcare – which are critical to achieving the the Millennium Development Goals (MDGs).

The planning and budgeting framework

Whilst the language – and acronyms – vary from state to state, the overall planning architecture is similar. Development plans or frameworks covering the medium or longer term are elaborated in detail in medium term strategies for individual sectors. These sector strategies are costed, and most importantly are

costed over several years so that projects can proceed in a realistic and secure environment to completion. Annual plans, budgets and funding releases can then be firmly derived from these plans before passing into the legislative and executive processes.

Progress and results in the lead states

Enugu State

From 2008, SPARC provided support through the Enugu State Economic Planning Commission to develop a Medium Term Development Plan, as well as training in the development of Medium Term Sector Strategies (MTSSs). The support consisted of hands-on technical training in the concept, process and production of sector strategies that would help to inform the development plan. With the state's civil servants taking the lead in drafting their own documents and learning the techniques and value of medium term planning, SPARC provided handholding support, quality assurance and helped to ensure the technical integrity of processes applied and outputs delivered.

As a result of SPARC's support, Enugu State has now formally adopted this approach; it has recently revised the state's annual revenue projections downwards to more realistic levels, and all programme proposals are now expected to fall within adequately costed resource envelopes. Importantly, the state has owned this process and has adopted

the technical tools of multiyear budgeting and medium term planning introduced through SPARC's technical support.

Jigawa State

As a result of SPARC's support, for the first time in the fiscal history of Jigawa State, Medium Term Expenditure Plans have been developed, linking annual budgets with the overarching state development plan – the Comprehensive Development Framework (CDF). The CDF itself was developed with SPARC's technical guidance and was also informed by technical support from SPARC to Jigawa State in producing and implementing Medium Term Sector Strategies. As a result of SPARC's training, a series of costed MTSSs (2011–2013) were developed for the Health, Education, and Water sectors, and the 2011 budget call was firmly linked to the sector strategies and the expenditure plan. The Budget and Economic Planning Directorate is providing more technical guidance to the state as a result of the training SPARC provided for its Sector Desk Officers.

Today, policy statements show more realism, and identify clear outcomes in the key sectors. Multiyear planning and realistic budgeting is becoming the norm in the state's planning process. Annual budgets for the last two years have been balanced and reflect medium term revenue projections for the state, and the political leadership now issues guidelines using more realistic resource envelopes for preparation of sector strategies and annual budgets.

Kaduna State

The 2010–2012 period was the first time that multiyear budgeting was employed in Kaduna State. In just two years, SPARC's support has helped to reverse the trend of unrealistic budgeting through its varied areas of technical support. For example, the 2010 budget was reduced from Naira 196 billion to a more realistic Naira 168 billion: a 14% drop. In February 2011, a budget of Naira 136 billion was passed into law: a further 21% drop. For the first time in eight years, the annual budget is lower and more realistic than the previous year.

Kano State

Kano State embraced medium term budgeting and planning in 2010. SPARC provided technical support for strategy sessions leading to the development of MTSSs for 16 sectors. During April and May 2010, technical guidance was provided to staff of the 16 sectors to build their capacity in strategy and budget development. This eventually resulted in the development of the first set of draft medium term sector frameworks for those sectors, in alignment with the Kano State Roadmap for Development. In addition to the 16 MTSSs, officials developed indicative budgets across all sectors, profiled over three years. This achievement is unique given the number of sectors involved in the process and the manner in which it has helped to bring more realism to state budgeting and planning.

Lagos State

Prior to SPARC's support to Lagos State, there was no overarching policy document which comprehensively harmonised the policy, planning, and budgetary objectives of the state; nor was there a document linking the State Development Plan, the budget, and the delivery strategies. State government offices also lacked sufficient technical understanding and skills in medium term budget and planning processes. SPARC is now providing technical guidance and quality assurance support to the development of a comprehensive State Development Plan. SPARC has also produced an MTSS, and has provided additional hands-on training to ensure that skills are applied and retained within the state. Support was also provided to the setting up of the first MTSS Technical Working Group which provides coordination of MTSS technical approaches and actors in the state. With SPARC's support, the newly set-up Economic Intelligence Unit (EIU) also provides economic analysis and forecasting for the state in developing its Medium Term Expenditure Framework.

For the first time, Lagos State will have a state development document which is adequately linked to and informed by MTSSs and MTEF, and more technically appropriate state budgetary processes. This will increase the ability of the state to respond more strategically to the needs and priorities of citizens.

In summary

All five lead states have received support to develop plans, sector strategies and multiyear budgets. That support has been provided in the form of hands-on capacity strengthening. As well as now having more realistic plans, with the benefits of better governance and improved development performance that follow, the states are now committed to this improved approach for the future. The capacity that has been developed will help ensure that this becomes a sustained reality.

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