

Medium-Term Expenditure Framework as a Tool for Achieving the Sustainable Development Goals

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Where to Begin?



Clash of Clans as Analogy for Effective PFM

- Objective: **growth**
- Effective **resource management**
- Invest in **people** and **infrastructure**
- Clear/proven strategies for **success**
- Opportunities for **assistance** and **cooperation**
- Many ways to **fail**

Medium-Term Expenditure Framework (MTEF)

MTEF – What is that?

“Medium-term expenditure frameworks (MTEFs) help central/federal government organizations to adopt a medium term budgetary perspective rather than solely an annual one. MTEFs typically span a period of three to five years, including the budgeted fiscal year, and combine prescriptive yearly ceilings with descriptive forward estimates.”

-OECD

MTEF – Stages

Table 1. The Six Stages of a Comprehensive MTEF

STAGE	CHARACTERISTICS
I. Development of Macroeconomic/Fiscal Framework	<ul style="list-style-type: none">• Macroeconomic model that projects revenues and expenditure in the medium term (multi-year)
II. Development of Sectoral Programs	<ul style="list-style-type: none">• Agreement on sector objectives, outputs, and activities• Review and development of programs and sub-programs• Program cost estimation
III. Development of Sectoral Expenditure Frameworks	<ul style="list-style-type: none">• Analysis of inter- and intra-sectoral trade-offs• Consensus-building on strategic resource allocation
IV. Definition of Sector Resource Allocations	<ul style="list-style-type: none">• Setting medium term sector budget ceilings (cabinet approval)
V. Preparation of Sectoral Budgets	<ul style="list-style-type: none">• Medium term sectoral programs based on budget ceilings
VI. Final Political Approval	<ul style="list-style-type: none">• Presentation of budget estimates to cabinet and parliament for approval

Source: *PFM Handbook* (World Bank, 1998a: 47-51), adapted

- WB: Africa Region Working Paper Series No. 28

MTEF – Sequence of Types

Medium-Term Fiscal Framework (MTFF): focuses on the top-down specification of resource envelopes

Medium-Term Budgetary Framework (MTBF): in addition to the features of an MTFF, an MTBF includes the bottom-up determination of spending agency resource needs and the reconciliation with the resource envelope

Medium-Term Performance Framework (MTPF): Shift from inputs to outputs and emphasis on measurement and evaluation of performance

MTEF – Historical Evidence

Fiscal discipline: MTFs have been shown to increase fiscal reserves, contribute to higher revenues, and lower budgetary excesses.

Fiscal efficiency: MTBFs have been shown to increase government effectiveness in addressing priorities.

Technical efficiency: MTPFs have been shown to improve service delivery.

MTEF by Type

2012



COUNTRIES

MTEFF



COUNTRIES

MTBF



COUNTRIES

MTPF

MTEF – Research continues – phases of MTBF

Phase I: Budget system that has no meaningful multi-year perspective and produces an annual budget based on traditional line items.

Phase II: Some elements of top-down fiscal planning and bottom-up costing of policies, but whose expenditure ceilings are indicative, and the link between planning and resource allocation is tenuous.

Phase III: Direct and credible link between planning and budgeting that flows from a sound medium-term macro-fiscal framework. Budget ceilings are effective and binding.

Phase IV: Mature and effective MTBF with a strong performance orientation, reinforced by regular spending review.

Sustainable Development Goals

2030 Agenda for Sustainable Development

“We resolve, between now and 2030, to end poverty and hunger everywhere; to combat inequalities within and among countries; to build peaceful, just and inclusive societies; to protect human rights and promote gender equality and the empowerment of women and girls; and to ensure the lasting protection of the planet and its natural resources.”

SDGs

THE GLOBAL GOALS For Sustainable Development



Progress to date

“Almost all areas where you see progress, if you look at the rate, or the pace of progress, it is never sufficient to meet the targets.”

“You cannot measure all of the factors that you use to monitor progress on the 17 goals. The data is not there.”

- Francesca Perucci, UN Statistics Division,
as reported by Devex

Progress to date

“Over half of the 230 indicators lack agreed measurement criteria (68) or sufficient data coverage (66) for regular monitoring or reporting or both.”

- Global Policy Watch

MTEF to Support SDGs

MTEF as Tool to Achieve SDGs

National Strategy: Country development strategies should align with objectives set forth in the SDGs

Budget development and execution: National budgets should align with priorities set forth in development strategies.

Measuring progress: Progress towards achieving national strategies should be measured, progress verified, and lessons learned incorporated back into strategy and budget.

MTBF, not MTFF

- **MTFF** has been shown to improve fiscal discipline
 - Ø Increase fiscal efficiency
 - Ø Inform revenue and macroeconomic policy
- **MTBF** is required to effectively link budgets to priorities
 - Ø Link budget expenditures to priorities
 - Ø Analyze budget performance

Achieving SDGs Critically Linked to Budget

“It is critical for budget information, whether it is meaningfully mapped onto some of the SDGs or not, to be linked to performance information in order to ensure that the real focus is on development impact and value for money.”

- International Budget Partnership

Strategy

What can we do?

Data: Data constraints are a common problem in development. Support the design, development, and dissemination of budget performance information.

Capacity to budget: MTFF countries' transition to MTBF should be supported as a means to more effectively address national priorities.

Prioritize measurement and analysis: Develop M&E capacity within host country governments to evaluate budget outcomes and leverage lessons learned.

Best Strategy is Balanced Development

- Achievement of SDG objectives will require **balanced, simultaneous** progress in multiple sectors.
- Capacity development should include both **people** and **infrastructure**.
- **Information** and **analysis** are critical to decision making.
- Multidirectional **cooperation** and **dialogue** is critical to facilitate knowledge-sharing, capacity development, and priority setting.
- Spending should be **constrained** by resource envelope, medium-term commitments, and competing objectives.

Questions?

Thank you!

