



# **Lagos State Government**

## **Ministry of Economic Planning and Budget**

*Supported by DFID State Partnership for Accountability, Responsiveness and Capability (SPARC)*

## **Report on**

# **Lagos State Stakeholders' Forum on Medium Term Sectoral Strategy Development**

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*March 2010*

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# Abbreviations

DFID	Department for International Development
EIU	Economic Intelligence Unit
ENR	Enhancing Nigerian's Response
ESSPIN	Education Sector Support Programme in Nigeria
EXCO	Executive Council
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MEPB	Ministry of Economic Planning and Budget
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFS	Medium Term Fiscal Strategy
MTSS	Medium Term Sectoral Strategies
PATHS	Partnership for Transforming Health Services
PFM	Public Financial Management
PSSDC	Public Service Staff Development Centre
PWC	PricewaterhouseCoopers
SAVI	State Accountability and Voice Initiative
SDP	State Development Plan
SHoA	State House of Assembly
SLGP	State and Local Government Programme
SLPs	State Led Programmes
SPARC	State Partnership for Accountability, Responsiveness & Capability
UK	United Kingdom

# 1. Introduction

In 2008 the State and Local Government Programme (SLGP) funded by the UK Government's Department for International Development (DFID) contracted PriceWaterhouseCoopers (PWC) Limited to support Lagos State Government in the development of three pilot Medium Term Sector Strategies (MTSSs), covering the period 2008 – 2011, for three priority sectors: Education, Health and Environment. In 2009 the State contracted PWC to develop seven additional MTSSs: a) Works and Infrastructure, b) Housing, c) Physical Planning and Urban Development, d) Transportation, e) Justice, f) Women Affairs and Poverty Alleviation, and g) Youth, Sports and Social Development., six of which are on the MEPB's website. In 2009, the DFID-funded Education Sector Support Programme in Nigeria (ESSPIN) supported the updating and revision of the Education sector MTSS. The World Bank implementing Medium Term Expenditure Framework (MTEF), and two other DFID funded programmes being the State Partnerships for Accountability, Responsiveness and Capability (SPARC) and Partnership for Transforming Health Services 2 (PATHS2) have since shown independent interests in diverse aspects of supporting the State Government in adopting MTSSs in its policy planning processes.

In view of the fact that multiple stakeholders, approaches and tools have to date been employed in Lagos State's MTSS process, SPARC/DFID supported Ministry of Economic Planning and Budget (MEPB) in the organisation of a MTSS Stakeholders' Forum. The forum was held at the Sheraton Hotel, Ikeja on March 09, 2010. The stakeholders who attended the forum were: MEPB, SPARC, the World Bank, PWC, ESSPIN and PATHS2.

Lagos State's leadership was well represented by:

- The Hon Commissioner for Budget and Planning
- The Permanent Secretary, MEPB
- The Special Adviser to the Governor on Economic Planning and Budget
- The Senior Special Assistant to the Governor on Economic Matters

Annex 1 provides a full list of participants at the forum.

The objectives of the stakeholders' forum were:

- to ensure clear understanding of the roles of the actors and technical inputs.
- to share tools, approaches and good practices used for the development of the MTSSs, and the tenure of interventions.
- to collaborate and agree on technical support required for an effective MTSS development process.
- to draw lessons from the different approaches and tools used
- to identify nodes and areas of collaboration of all stakeholders
- to sequence inputs and coordinate activities of all actors
- to agree next steps

## 2. Overview of the Presentations

Lagos State Ministry of Economic Planning and Budget opened the workshop by stating the background and objectives of the workshop as stated in the Introduction above.

The donor stakeholders: SPARC, the World Bank, ESSPIN and PATHS2, and PWC made their presentations. Below is a brief overview of the presentations.

### 2.1 State Partnerships for Accountability, Responsiveness and Capability

SPARC presented the core messages from the SPARC-coordinated DFID State Led Programme (SLP) Workshops on MTSSs which took place in 2009, with the underlying message of *"less is more"*.

- a) Function is more important than form: Planning and budgeting tools are very useful tools for development. Therefore it is important to quickly find the version of tool kit that works for you, use it and then build on it aiming always for what is "better". It is more useful to engage during the MTSS development process rather than just train.
- b) Multi-layered approach to planning: Planning should start with a 10 to 20 year State Development Plan (or whatever name is chosen), a sector plan that draws from the SDP and thereafter a medium term sector strategy. All of these must be underscored by monitoring and evaluation.
- c) Think medium term: Think about policies and strategies in the medium term. This will give the State richer policies supported by a robust framework (finance) that will drive the sector strategy.
- d) Process: Keep the MTSS process very simple. The following process was suggested: pick the sector teams carefully, conduct an environment scan and articulate where you are, define where you are going and how to get there (using budget ceilings and / or envelopes), cost the programmes, decide on the best option and "do it" provided it can be fitted into a budget classification.

### 2.2 PriceWaterhouseCoopers

PWC presented MTSS as a tool for budget technique in Lagos State having supported the development of three pilot MTSSs (Education, Environment and Health) in 2008 and seven additional MTSSs in 2009. The pilot MTSSs were developed through a complex technique which was simplified for the development of the seven additional MTSSs. The overview of PWC's presentation is as follows:

- a) Public Expenditure Management – Policy Frameworks: the policy environment and frameworks were presented together with the objectives which included achieving the right balance between economic development and macro-economic stability; ensuring bulk of expenditure is on capital spending and that public managers are accountable for monies allocated them; enabling more sustainable public finances; improving budget process and ensuring effectiveness of monitoring and evaluation of programmes.
- b) MTSS process and its linkage to budget: policies are prioritised and aligned with resource allocations within the framework of macro-economic and financial forecasting over a medium term period. It is important to maintain a good balance between spending and macro-economic stability. It recommended a ratio 60:40 spending on capital to recurrent items. Budget holders must be held accountable.
- c) Implementation of MTSS in Lagos State: The implementation section was divided into three core areas: i) form and train sector teams, ii) conduct strategy sessions and iii) documentation which included costs and phasing into three year horizon, key success factors and performance indicators.

Members of staff and teams were trained, and capacity was developed throughout the MTSS development process.

### 2.3 World Bank

The overview of the World Bank presentation: The Lagos State MTEF project started in July 2008. The Bank had recorded improvement in the 2009/2010 Budget Call Circular and recommendations had been made for improving the Budget summary format. The World Bank assisted with setting up and building capacity of the newly established Economic Intelligence Unit (EIU) in MEPB; built capacity of MDAs to produce MTSS and performance oriented budgets; trained and built capacity during the development of Medium Term Fiscal Strategy (MTFS) and the Medium Term Budget Framework (MTBF). The MTBF is the top-down part of the medium term budget process with sector resource envelopes over 3 years time frame which would be further divided into MDA envelopes in accordance with Government policy priorities. The Bank pointed out financial stresses the State Government is likely to face in 2011. The World Bank supported budget preparations using Oracle PBS module and also supported the drafting of the Budget Manual.

## **2.4 Education Sector Support Programme in Nigeria**

The overview of the presentation is:

- a) ESSPIN supported (did not direct) the Education MTSS process through State and MTSS teams, MDA committees, five goal oriented working groups and three ongoing professional working groups. The objectives of this process were: i) to move from minimal support to no support by starting with a simple process but increasing the level of sophistication by adding more complex simulations, and ii) to involve all stakeholders to ensure buy-in with focus on key finance and planning staff. ESSPIN provided professional support and logistical support for meetings and conferences.
- b) ESSPIN described in detail the MTSS process employed starting with Orientation and Stakeholders' Workshop and ending with Review Conferences at the State and national levels.
- c) ESSPIN extracted lessons learnt during the process which are reflected in the Emerging issues in Section 3 below.

## 2.5 Partnership for Transforming Health Services 2

PATHS2 programme recently started operation in Lagos. It articulated the first steps in the process for developing the Health MTSS: i) reconstitute sector planning team, ii) review high policy documents, and iii) review budget commitments during budget preparation. PATHS2 emphasised the need to harmonise MTSS work done so far and institutionalise the processes and approaches employed across State Government to ensure synergy and sustainability.

Open and insightful discussions followed each presentation. Questions were asked and answered, clarifications of issues were sought and made, and observations and comments were made by participants. Issues discussed are captured in the section on Emerging issues below.

## 3. Emerging Issue

The following issues emerged from the brainstorming sessions after each presentation. The major issues raised and discussed after each presentation are:

- 3.1** *Institutionalise MTSS:* It is important to embed MTSS approaches and best practices in MDAs so that MTSS developments are not consultant-led and to ensure sustainability. This will be achieved through training, capacity development of stakeholders involved in different stages, and hand-holding of staff through the entire development process; the focus will be on key finance and planning staff. Capacity development should be an on-going part of any change and reform processes. The MTSS and MTEF processes should be simple initially; process sophistication will be increased only when staff is competent. It is important to ensure stakeholders buy-in at an early stage of the process as this would guarantee ownership of the process and outputs.
- 3.2** *Capacity:* Planning and finance officers had enjoyed training and capacity development programmes in the last six years. Also capacities of institutions have been developed but institutional and individual capacities to perform and deliver on mandates continue to be major issues across government. As a way of further developing capacity and ensure sustainability, it is necessary to involve MEPB staff in the development of MTSSs including Education and Health MTSS.
- 3.3** *Budget fit:* There were no relationships between MTSS and the MTBF as the World Bank was yet to develop clear links between the MTSS and annual budgets. Since MTSS lies at the centre of MTEF, there should be clear linkages between government spending and policy goals set in the medium term framework. This is premised on MDAs getting budget envelopes which derive from the outcomes of macro-economic reviews (fiscal strategy). The World Bank was working on ensuring the budget fit for 2011.
- 3.4** *Politics:* Legislators had in the past increased capital expenditure of the budget before passing the Appropriation Bill into law. These increases have been challenging calls for management especially in view of the recently established Legislative Service Commission and the proposed Legislative Budget Office.

The challenges posed by the politicians (EXCO and legislators) can be addressed thus:

- Early buy-into the MTSS and budget processes by the political leadership of the MDAs
- Early buy-into the MTSS and budget processes by legislators and
- Cross-political leadership (Governor, EXCO and legislators) engagement to ensure alignment of reform priorities across State Government, that is, budget ceilings, budgeting and therefore the MTSSs should all reflect the Governor's priorities always.

It is necessary to train members of the State House of Assembly on budget and MTSS development processes and to ensure the legislators understand the importance of budget ceilings/envelopes for planning. DFID funded State Accountability and Voice Initiative (SAVI) a DFID funded programme, would coordinate the training of legislators.

- 3.5** *Policy:* MTSS is not only a Budget tool but also sets out the medium term policy framework. That should also feed into the Budget Speech just as the figures need to feed into the Budget classifications. Many of the Goals and Programmes in the recent MTSSs involved behaviour change projects as well as physical infrastructure projects but there was a tendency to cost and include only the latter.
- 3.6** *Monitoring and Evaluation:* Monitoring and evaluation is a very important aspect of any reform, change and development processes so there is a need to sharpen M&E and knowledge management skills. Also simple indicators should be developed during each intervention which will form the basis of periodic review of such interventions, reforms and changes.
- 3.7** *Coordination and Timelines:* The timelines for developing and revising the MTSS should be coordinated with the annual call circular and budget process. Efforts should be made to coordinate the MTEF planning cycle of three years with that of Vision 2020 which is four years.

Other issues that emerged from the presentations and discussions are:

- 3.8** *Selection of sectors:* It is necessary to decide which of the 10 MTSSs will serve as pilots for linking to the 2011 budget for ease of implementation.  
  
Lagos State plans to develop the remaining MTSS in 2010 to fulfil World Bank's requirement as the State is being considered for budget support by the World Bank. Also the State has adopted the Classifications of Functions of Government (COFOG) budget model as required by the Bank in preparation for getting budget support from the Bank.
- 3.9** *MTSS manual:* The World Bank is supporting the development of an MTEF manual. This with trainings deployed will embed the MTSS process in MEPB and planning departments of MDAs and will ensure sustainability.
- 3.10** *Economic Intelligence Unit:* The staff of this newly established Unit within MEPB had enjoyed some training. Also capacity of individual and the organisation had been and will continue to be developed to ensure it is able to discharge its mandates.
- 3.11** *Priority definition and ownership:* Stakeholders (state and non-state actors) should be involved in priority definition at a very early stage to ensure ownership of the process and sustainability.
- 3.12** *Quality of evidence:* Quality and reliability of available baseline data are very important to evidence based planning. As such, data should be updated at regular intervals through the Management Information Systems as they would also form the basis for developing performance indicators that will be used for regular reviews, monitoring and evaluation.
- 3.13** *Uniformity versus adaptability approach:* The issue of whether to have one standard technical approach to MTSS development or whether to remain flexible and adaptable to the diverse paces, challenges and dynamics of MDAs was raised. The latter emerged as the preferred option, however emphasis was placed on the importance of ensuring that the technical approaches adopted were in keeping with best practice, were responsive to the State's priorities and helped to deliver the core objectives of MTSSs.
- 3.14** *Community of Practice:* The capacity of central planners and statisticians involved in the MTSS process should also be developed through the Community of Practice approach – 'learn, do and share' methodology.
- 3.15** *Role of State Development Plan:* The State Development Plan (SDP) or any high policy and strategy document in the long term (10 to 20 years) plays a critical role in planning. The suggested approach is for the Sector strategies to derive from the SDP and the sectoral plans, costed in the medium term framework, derive from the SDP and the sectoral strategies.
- 3.16** *Gender:* If stakeholders' priorities should drive the MTSS/MTEF process, it would be advisable to see women as a specific category of stakeholders. MEPB should therefore give guidance to all sectors to include gender and other



social inclusion in their MTSS consultative and development processes. Furthermore, indicators which demonstrate the deliberate bridging of gender gaps should be developed for MTSS.

- 3.17** *Budget envelopes:* Is the process of allocating fiscal resources to the MDAs as their spending ceilings within a budget cycle. However some of the political leadership think that resource envelopes are not desirable since the State rearranges budget allocations in the third quarter on the year. A debate was called for this issue.
- 3.18** *Implementation capacity:* Capacity to implement reforms such as MTSS is not uniform in all MDAs. This had affected actual spending by MDAs and therefore budgets for the MDAs.
- 3.19** *Training and capacity development:* Training and capacity development of planners, statisticians, implementers, monitors and evaluators etc should be coordinated through the Public Service Staff Development Centre (PSSDC) once the reforms have been concluded. It is necessary that these skills areas inform the design of the new curriculum.
- 3.20** *Statistical data:* It is necessary to build up statistical data and indicators, and databases for use by monitoring and evaluation teams and planners amongst others.
- 3.21** *MTSS at Federal level:* The Federal Government shall commence the development of MTSS by April/ May 2010. This is contrary to the information that the Federal Government had abandoned the MTSS as a planning tool and replaced it with Vision 2020.

## 4. Next Steps

Following the brainstorming, the following next steps were agreed:

**4.1** A Technical Working Group was set up. Its members are:

- Special Adviser to the Governor on EPB - Chair person
- Permanent Secretary MEPB - Vice Chair person
- Senior Special Assistant to the Governor on Economic Matters - Member
- Director Budget Department - Member
- Director Economic Planning Department - Member
- Director Monitoring & Evaluation Department - Member
- Director Lagos State Bureau of Statistics - Member
- Director Development Partnership Department - Member
- Representative from State Treasury Board - Member
- Chairman Appropriation Committee of SHoA - Member
- Representative of SPARC - Member
- Representative of ESSPIN - Member
- Representative of PATHS2 and ENR - Member
- Representative of SAVI - Member
- Representative of MTEF/World Bank - Member
- Representative of PricewaterhouseCoopers -Member/Technical Assistance

**4.2** *Develop other MTSSs:* The first step is to link some or all of the existing 10 MTSS to 2011 budget. Implementation of those MTSSs linked to the budget is necessary. Thereafter, develop the remaining MTSS within the 2011 budget cycle and budget envelopes.

**4.3** *Resource envelopes:* The World Bank intervention in the State MTEF process should produce resource envelopes for 2011, which shall be used to guide planning and budgeting going forward.

**4.4** *Template by Public Financial Management:* Standard costing template is being developed for Budget Department which shall be used across sectors for MTSS programme or activity costings.

## 5. Closing

The following remarks were made as part of the closing:

- The following suggestions were made to the Technical Working Group:
  - Development partners supporting Lagos State Government were advised to come up with a calendar of key events in the medium term (three years) which shall be shared across government and with development partners.
  - State supported by development partners should develop appropriate levels of skills and staff around technical complexities of the MTSS and MTEF processes in the medium term and identify what capacity would be required for the first year.
  - State supported by development partners should define the institutional arrangements of the MTSS/MTEF process that should be embedded in the MDAs.

Close coordination of activities of development partners in the MTSS/MTEF process is important going forward as it would prevent the development partners from working at cross-purposes and will add value to their outputs. SPARC was requested to take the lead in the MTSS Coordination process. Lagos State Government was commended for its exemplary cooperation with the development partners.

In closing, it was stated that the State's budget performance was about 70% in the last three years and that the Governor has directed MEPB to carry out impact assessment on some reform programmes and projects for the first quarter of 2010.

## Appendix 1: Attendance List

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